



KNYSNA
Municipality
Munisipaliteit
uMasipala

[These financial statements have not been audited.]

FINANCIAL STATEMENTS
30 JUNE 2012

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**GENERAL INFORMATION****MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE**

G Wolmarans	Executive Mayor
M L Wasserman	Deputy Executive Mayor [Chairperson: Finance and Governance Committee]
E D Edge	Executive Councillor [Chairperson: Infrastructure Development Committee]
M Williams	Executive Councillor [Chairperson: Community Services Committee]
L M Hart	Executive Councillor [Chairperson: Planning and Development Committee]

AUDITORS

Auditor-General
Private Bag X96, Bellville 7535

BANKER

Nedbank Corporate
P O Box 472, Knysna
6570

REGISTERED OFFICE

Civic Centre	P O Box 21	Tel 044 - 302 6300
Clyde Street	Knysna	Fax 044 - 302 6333
Knysna	6570	

MUNICIPAL MANAGER

Ms L Waring

CHIEF FINANCIAL OFFICER

Mr G S Easton

LEGAL FORM

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

JURISDICTION

Greater Knysna area which includes:

Knysna
Sedgefield
Rheenendal
Karatara
Brenton
Belvidere
Noetzie

RELEVANT LEGISLATION

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)



2011/ 2012

MEMBERS OF THE KNYSNA MUNICIPALITY

WARD	COUNCILLOR	
1	Grootboom	I W J
2	Hart	L M
3	Lizwani	M
4	Litoli	W N
5	Williams	M
6	Witbooi	C K
7	Gombo	T M E
8	Sopeki	N
9	Wasserman	M L
10	Dawson	R A
Proportional	Charlie	L B
Proportional	Dyantyi	M
Proportional	Edge	E D
Proportional	Hololoshe	B
Proportional	Nayler	T
Proportional	Nkam	P P
Proportional	Van Aswegen	E O
Proportional	Waxa	V
Proportional	Wolmarans	G

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 78 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

L Waring
Municipal Manager

Date

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2011/12.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

I stated last year that the process of becoming GRAP compliant was long, difficult and very expensive, with little worth.

This has been highlighted even more this past year by the fact that the Knysna Municipality Annual Financial Statements are showing a deficit of R244 million of which almost nothing is cash and is therefore irrelevant to the man in the street who we purport to serve. A cursory glance at the ratios below highlights this. I continue to say that GRAP compliance adds almost nothing to the operation and ultimate transparency of a municipality and I look forward with interest to view the discomfiture Provincial and National Government departments will go through when they implement GRAP.

The question was recently asked of me by respected private sector financial people as to what constitutes the difference between a "clean" audit and an "unqualified audit". The answer is R244 million worth of accounting entries that have absolutely no bearing or relevance on the services provided by this municipality or on anything to do with its constitutional mandate.

Local government finance has very good legislation governing it. It needs to be implemented properly and consistently. I would like to think that in Knysna we do precisely that. GRAP notwithstanding.

2. KEY FINANCIAL INDICATORS

We have experienced three years of economic downturn in Knysna and are going into a fourth year. There are still no indications of green shoots and this in turn means that most indicator changes should be minimal unless of course it is Eskom, the one external body that continues to batter our local communities with its high tariff increases.

That in itself impacts upon debtor days, bulk purchase and even creditors days if cash becomes an issue. The various financial statement ratios are shown below.

Financial Statement Ratios:

INDICATOR	30 JUNE 2012	30 JUNE 2011
Surplus / (Deficit) for the year before Appropriations	(154 313 015)	94 829 298
Accumulated Surplus / (Deficit) at the end of the Year	586 043 743	742 677 808
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	19.98%	31.04%
Remuneration of Councillors	0.81%	1.14%
Debt Impairment	3.61%	4.08%
Collection Cost	0.06%	0.03%
Depreciation and Amortisation	2.91%	4.67%
Impairments	18.42%	0.03%
Repairs and Maintenance	3.16%	4.49%
Actuarial losses	0.73%	1.50%
Finance Charges	2.30%	4.27%
Unamortised discount - Interest	0.00%	0.00%
Bulk Purchases	15.43%	21.26%
Contracted services	2.24%	3.18%
Grants and Subsidies Paid	0.83%	1.45%
Stock Adjustments	0.00%	0.00%
Other Operating Grant Expenditure	7.68%	9.54%
General Expenses	8.23%	13.19%
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties	13.56%	0.00%
Loss on Disposal of Property, Plant & Equipment/Investment Properties	0.07%	0.13%
Current Ratio:		
Creditors Days	33	32
Debtors Days	124	104

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012
REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	742 677 808	769 883 471	-3.53%	-	-
Operating income for the year (incl. gains in disposal of assets)	543 560 023	497 599 411	9.24%	506 550 000	7.31%
Appropriations for the year	(2 321 050)	(122 034 961)	-98.10%	-	-
	1 283 916 781	1 145 447 921	12.09%	506 550 000	153.46%
Expenditure:					
Operating expenditure for the year	697 873 038	402 770 113	73.27%	467 234 000	49.36%
Closing surplus / (deficit)	586 043 743	742 677 808	-21.09%	-	-
	1 283 916 781	1 145 447 921	12.09%	467 234 000	174.79%

4. CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 60 317 845 (2010/2011: R 53 389 230) and in percentage terms amounts to 70,6% of budget. Full details of Property, Plant and Equipment are disclosed in note number 13 to the Annual Financial Statements.

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June was :

2012 R	2011 R
164 667 412	173 542 503

New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.

8 254 088	44 579 000
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Refer to Note number 3 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	83 971 017	70 995 552
Provision for Post Retirement Benefits	63 840 320	53 989 710
Provision for Ex-Gratia Pension Benefits	323 338	458 301
Provision for Long Service Awards	8 567 483	7 101 526
Provision for Rehabilitation of Landfill-sites	3 724 966	3 458 716
Provision for Clearing of Alien Vegetation	7 514 910	5 987 299
	83 971 017	70 995 552

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

7. CURRENT LIABILITIES		2012	2011
		R	R
Current Liabilities are made up as follows:			
Consumer Deposits	Note number 6	9 288 612	9 103 463
Current Employee benefits	Note number 7	15 311 920	17 030 866
Provisions	Note number 8	3 724 966	3 458 716
Trade and other payables	Note number 9	46 783 095	36 833 575
Unspent Conditional Government Grants and Receipts	Note number 10	2 137 005	5 633 600
Taxes	Note number 12	-	-
Operating Lease Liability - Non-Current and Current	Note number 22	1 127 236	1 188 177
Cash and Cash Equivalents	Note number 23	-	-
Current Portion of Long-term Liabilities	Note number 3	17 258 767	17 180 613
		<u>95 631 600</u>	<u>90 429 010</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:

669 145 **817 947**

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 16 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

709 897 411 **725 796 892**

Refer to Note number 13 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :

16 880 786 **14 983 551**

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 17 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R 522 593

1 357 696 **1 081 523**

Refer to Note number 18 for more detail.

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

		2012	2011
		R	R
12. CURRENT ASSETS			
Current Assets are made up as follows:			
Inventory	Note number 19	7 964 559	4 294 032
Trade Receivables from exchange transactions	Note number 20	36 699 619	43 062 296
Other Receivables from non-exchange transactions	Note number 21	26 263 929	19 870 072
Unpaid Conditional Government Grants and Receipts	Note number 10	1 870 171	3 571 365
Non-current and Current Operating Lease Asset	Note number 22	2 431 991	2 397 856
Taxes	Note number 12	1 553 426	3 798 559
Current Portion of Long-term Receivables	Note number 18	201 842	62 931
Cash and Cash Equivalents	Note number 23	55 502 803	57 308 580
		132 488 340	134 365 691

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 10 and 25 as well as Appendix E for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 49

15. DISCLOSURE ISSUES

During the course of the financial year to which these statements apply, Council took the decision to wind up the Knysna Economic Development Agency. The full financial details will become apparent in the Financial Statements of 2012/13.

16. EXPRESSION OF APPRECIATION

As is usual I am grateful to, the newly appointed in January 2012, Municipal Manager, Ms Lauren Waring, Councillors, Directors and Heads of Departments for their support during the year.

A heartfelt thank you to my own staff for their hard work, diligence and application in what was a difficult post GRAP compliance year, and an especial thanks to my core accounting and asset team, both internal and external and headed up and coordinated by the Manager: Budget Office, Ms Lorraine McCartney.



G.S. EASTON
CHIEF FINANCIAL OFFICER
 30 August 2012

KNYSNA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		674 415 089	760 833 547
Capital Replacement Reserve	2	4 692 214	5 199 523
Employee Benefits Reserve	2	6 153 045	5 242 645
Housing Development Fund	2	2 736 132	3 057 395
Non-Current Provisions Reserve	2	6 483 399	4 656 176
Revaluations Reserve	2	67 894 557	-
Valuation Roll Reserve	2	412 000	-
Accumulated Surplus/(Deficit)		586 043 743	742 677 808
Non-Current Liabilities		227 145 489	224 419 478
Long-term Liabilities	3	148 421 137	157 973 589
Employee Benefits	4	70 082 206	59 270 413
Non-Current Provisions	5	7 514 910	5 987 299
Non-current Operating Lease Liability	22	1 127 236	1 188 177
Current Liabilities		94 504 364	89 245 334
Consumer Deposits	6	9 288 612	9 103 463
Current Employee Benefits	7	15 311 920	17 030 866
Provisions	8	3 724 966	3 458 716
Payables from Exchange Transactions	9	46 783 095	36 833 575
Unspent Conditional Government Grants and Receipts	10	2 137 005	5 633 600
Unspent Public Contributions	11	-	4 500
Current Portion of Long-term Liabilities	3	17 258 767	17 180 613
Total Net Assets and Liabilities		996 064 943	1 074 498 357
ASSETS			
Non-Current Assets		866 008 594	942 530 522
Property, Plant and Equipment	13	709 897 411	725 796 892
Investment Property	15	135 496 000	198 067 000
Intangible Assets	16	669 145	817 947
Non-Current Investments	17	16 880 786	14 983 551
Non-current Operating Lease Asset	22	2 431 991	2 397 856
Long-Term Receivables	18	633 261	467 276
Current Assets		130 056 349	131 967 835
Inventory	19	7 964 559	4 294 032
Receivables from Exchange Transactions	20	36 699 619	43 062 296
Receivables from Non-Exchange Transactions	21	26 263 929	19 870 072
Unpaid Conditional Government Grants and Receipts	10	1 870 171	3 571 365
Taxes	12	1 553 426	3 798 559
Current Portion of Long-term Receivables	18	201 842	62 931
Cash and Cash Equivalents	23	55 502 803	57 308 580
Total Assets		996 064 943	1 074 498 357

KNYSNA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Employee Benefits Reserve	Non-Current Provisions Reserve	Valuation Roll Reserve	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
Balance at 1 JULY 2010	-	-		-	4 420 049	-	769 883 471	774 303 520
Correction of errors - Note 37.07	-	-	-	-	-	-	(108 299 271)	(108 299 271)
Restated Balance at 1 July 2010	-	-	-	-	4 420 049	-	661 584 200	666 004 250
Net Surplus/(Deficit) for the year - Note 37.08	-	-	-	-	-	-	94 829 298	94 829 298
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	-	-	7 762 609	(17 661 430)	-
Property, Plant and Equipment purchased	-	-	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Fund					(1 362 654)	-	1 362 654	-
Balance at 30 June 2011	5 242 645	4 656 176	-	-	3 057 395	5 199 523	742 677 808	760 833 548
Net Surplus/(Deficit) for the year	-	-	-	-	-	-	(154 313 015)	(154 313 015)
Transfer to/from Funding Policy Reserves	910 400	1 827 223	412 000	-	-	6 078 310	(9 227 933)	-
Revaluation of Property, Plant and Equipment	-	-	-	67 894 557	-	-	-	67 894 557
Property, Plant and Equipment purchased	-	-	-	-	-	(6 585 619)	6 585 619	-
Transfer from/(to) Housing Development Fund	-	-	-	-	(321 263)	-	321 263	-
Balance at 30 June 2012	6 153 045	6 483 399	412 000	67 894 557	2 736 132	4 692 214	586 043 743	674 415 090

KNYSNA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R Restated - Note 37.08
REVENUE			
Revenue from Non-exchange Transactions		294 139 831	272 419 749
Taxation Revenue		125 364 197	116 791 378
Property taxes	24	125 364 197	116 791 378
Transfer Revenue		119 909 798	100 653 691
Government Grants and Subsidies - Capital	25	30 678 919	36 887 924
Government Grants and Subsidies - Operating	25	89 230 879	62 942 767
Government Transfers - Contributed Assets	25	-	823 000
Other Revenue		48 865 837	54 974 680
Actuarial Gains	4	127 207	-
Augmentation Fees		808 126	2 386 870
Public Contributions and Donations		776 640	-
Foreign Exchange Gain		-	74 959
Third Party Payments		1 140 545	616 811
Fines		7 677 243	2 338 273
Stock Adjustments		116 508	56 614
Gain on Fair Value Adjustments of Investment Property	15	32 013 000	15 704 000
Reversal of Impairment Losses of Property, Plant & Equipment	13	5 182 388	33 437 394
Other		1 024 179	359 758
Revenue from Exchange Transactions		249 420 192	225 179 662
Property Rates - penalties imposed and collection charges		2 356 484	2 018 900
Service Charges	26	226 548 838	202 018 292
Rental of Facilities and Equipment		3 500 055	4 069 244
Interest Earned - external investments		6 667 005	5 914 526
Interest Earned - outstanding debtors		4 550 920	3 872 597
Licences and Permits		1 843 007	1 719 389
Agency Services		1 773 945	1 715 677
Other Income	27	1 524 171	1 618 694
Gain on disposal of Property, Plant & Equipment/Investment Property		43 027	1 541 235
Unamortised discount - Interest		612 740	691 109
Total Revenue		543 560 023	497 599 411
EXPENDITURE			
Employee related costs	28	139 414 290	125 014 831
Remuneration of Councillors	29	5 619 224	4 588 082
Debt Impairment	30	25 171 056	16 426 271
Collection Cost		388 739	104 918
Depreciation and Amortisation		20 332 011	18 822 695
Impairments	31	128 574 813	123 705
Repairs and Maintenance		22 025 163	18 091 388
Actuarial losses	4	5 061 702	6 054 852
Finance Charges	32	16 069 559	17 193 358
Unamortised discount - Interest		8 302	10 410
Bulk Purchases	33	107 647 419	85 618 177
Contracted services		15 619 958	12 805 847
Grants and Subsidies Paid	34	5 783 606	5 842 781
Other Operating Grant Expenditure	35	53 564 343	38 420 347
General Expenses	36	57 453 272	53 114 000
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties	15	94 634 000	-
Loss on Disposal of Property, Plant & Equipment/Investment Properties	13	505 581	538 453
Total Expenditure		697 873 038	402 770 113
NET SURPLUS/(DEFICIT) FOR THE YEAR		(154 313 015)	94 829 298

KNYSNA MUNICIPALITY**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other - Exchange Transactions		192 378 115	158 549 346
Cash receipts from ratepayers and other - Non-Exchange Transactions - (Restated 2011)		163 149 676	169 926 229
Cash receipts from government - Non-Exchange Transactions (Restated 2011)		118 015 709	101 385 314
Cash payments to suppliers and employees		(399 007 630)	(333 542 049)
Cash receipts and payments on VAT transactions		4 438 862	4 856 639
Cash generated/(absorbed) by operations	38	78 974 732	101 175 479
Interest Received		6 667 005	5 914 526
Interest Paid		(16 069 559)	(17 193 358)
Net Cash from Operating Activities		69 572 178	89 896 647
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment - Restated 2011 - Note 37.08		(59 967 845)	(53 844 571)
Proceeds on Disposal of Fixed Assets - Restated 2011 - Note 37.08		42 552	1 541 241
Movement in Non-current assets held for sale		-	19 215
Purchase of Investment Properties		(50 000)	-
(Increase)/Decrease in Non-current Investments		(2 436 547)	(3 202 708)
Net Cash from Investing Activities		(62 411 840)	(55 486 822)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		8 254 088	20 110 799
Loans repaid		(17 129 179)	(15 328 777)
(Increase)/Decrease in Long-term Receivables		(276 173)	710 251
Increase in Consumer Deposits		185 149	628 518
Net Cash from Financing Activities		(8 966 115)	6 120 792
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 805 777)	40 530 617
Cash and Cash Equivalents at the beginning of the year		57 308 580	16 777 963
Cash and Cash Equivalents at the end of the year	39	55 502 803	57 308 580
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 805 777)	40 530 617

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS****1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality already complies with most of the changes.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality will not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	Unknown

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Standard	Description	Effective Date
GRAP 24 (Original – Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown

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Standard	Description	Effective Date
GRAP 107 (Original – Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES**1.8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.4 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non-current provision is made until the necessary funding level is obtained.

1.8.5 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.8.6 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

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Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it

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will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:

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- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.14. EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex Gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(f) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(g) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT**1.16.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate

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accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

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Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100
Infrastructure	Sewerage	10 – 100
	Electricity	15 – 100
	Water	12 – 182
	Roads	12 – 102
	Security Measures	5 – 50
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Heritage	None	Indefinite
Other Assets	Bins and Containers	15
	Other	3 – 100
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INTANGIBLE ASSETS**1.17.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the Municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5 - 10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

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Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT ASSETS HELD FOR SALE**1.19.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.19.2 Subsequent Measurement

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Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**1.20.1 *Cash-generating assets***

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES**1.22.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial liabilities consist of Landfill sites provisions, payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

1.23.3 **De-recognition of Financial Instruments**

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24. REVENUE**1.24.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 10 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

1.29. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

KNYSNA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2	NET ASSET RESERVES	2012	2011
		R	R
	RESERVES	88 371 347	18 155 740
	Capital Replacement Reserve	4 692 214	5 199 523
	Employee Benefits Reserve	6 153 045	5 242 645
	Housing Development Fund	2 736 132	3 057 395
	Non-Current Provisions Reserve	6 483 399	4 656 176
	Revaluations Reserve	67 894 557	-
	Valuation Roll Reserve	412 000	-
	Total Net Asset Reserve and Liabilities	88 371 347	18 155 740
	Reserves are provided for according to the municipality's Funding and Reserves Policy, which is prepared in accordance with the Municipal Budget and Reporting Regulations.		
3	LONG TERM LIABILITIES		
	Annuity Loans - At amortised cost	159 197 237	166 300 462
	Local Registered Stock	3 033 003	3 033 003
	Capitalised Lease Liability - At amortised cost	2 437 172	4 209 038
		164 667 412	173 542 503
	Less: Current Portion transferred to Current Liabilities	(17 258 767)	(17 180 613)
	Annuity Loans - At amortised cost	(15 506 163)	(15 189 735)
	Capitalised Lease Liability - At amortised cost	(1 752 604)	(1 990 878)
		147 408 645	156 361 890
	Plus: Unamortised charges on loans	1 012 492	1 611 699
	Balance at beginning of year	1 611 699	2 289 316
	Adjustment for the period	(599 208)	(677 617)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	148 421 137	157 973 589
	The obligations under annuity loans are scheduled below:		
	Minimum annuity payments		
	Amounts payable under annuity loans:		
	Payable within one year	30 683 042	31 626 699
	Payable within two to five years	96 574 980	104 389 211
	Payable after five years	140 952 464	151 359 946
		268 210 486	287 375 856
	Less: Future finance obligations	(109 013 249)	(121 075 393)
	Present value of annuity obligations	159 197 237	166 300 462
	The obligations under stock loans are scheduled below:		
	Minimum stock loan payments		
	Amounts payable under stock loans:		
	Payable within one year	496 606	496 606
	Payable within two to five years	2 979 868	3 359 593
	Payable after five years	885 841	1 002 722
		4 362 315	4 858 922
	Less: Future finance obligations	(1 329 313)	(1 825 919)
	Present value of stock loan obligations	3 033 003	3 033 003
	The obligations under finance leases are scheduled below:		
	Minimum lease payments		
	Amounts payable under finance leases:		
	Payable within one year	1 928 473	2 278 178
	Payable within two to five years	729 290	2 494 974
	Payable after five years	-	-
		2 657 763	4 773 152
	Less: Future finance obligations	(220 591)	(564 114)
	Present value of lease obligations	2 437 172	4 209 038

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases.

Leases are secured by property, plant and equipment - Note 13

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Canon	Copiers and PABX Systems	9%-12%	0%-10%	3-5 Years	31 Jul 2012 - 31 Oct 2014
Konica Minolta	Copiers	9%	0%	3 Years	28 Feb 2013 - 28 Feb 2014
Nashua	Copiers	9%	0%	3 Years	30 Nov 2013

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
3	LONG TERM LIABILITIES (CONTINUED)		
	LOCAL REGISTERED STOCK		
	Bear interest at rates between 16% and 17% per annum and are repayable over periods of between two and six years.		
	ANNUITY LOANS		
	Bear interest at rates between 0% and 14% per annum. Fixed Deposits of R 16,863,342 (2011: R 14,966,107) and Term Deposit of R 7,804,936 (2011: R 7,376,373) have been pledged to DBSA as guarantees for external loans taken up. (See notes 17 and 23)		
4	EMPLOYEE BENEFITS		
	Post Retirement Benefits - Refer to Note 4.1	62 031 404	52 394 826
	Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	271 188	435 212
	Long Service Awards - Refer to Note 4.3	7 779 614	6 440 375
	Total Non-current Employee Benefit Liabilities	70 082 206	59 270 413
	<u>Post Retirement Medical Benefits</u>		
	Balance at beginning of year	53 989 710	44 249 234
	Contribution for the year	7 232 345	6 119 223
	Expenditure for the year	(1 900 867)	(1 563 002)
	Actuarial Loss/(Gain)	4 519 132	5 184 255
	Total post retirement benefits 30 June	63 840 320	53 989 710
	Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 808 916)	(1 594 884)
	Balance at end of year	62 031 404	52 394 826
	<u>Ex-Gratia Pensions</u>		
	Balance at beginning of year	458 301	429 069
	Contribution for the year	32 882	34 133
	Expenditure for the year	(40 638)	(42 480)
	Actuarial Loss/(Gain)	(127 207)	37 579
	Total provision 30 June	323 338	458 301
	Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(52 150)	(23 089)
	Balance at end of year	271 188	435 212
	<u>Long Service Awards</u>		
	Balance at beginning of year	7 101 526	5 466 397
	Contribution for the year	1 436 470	1 129 299
	Expenditure for the year	(513 083)	(327 188)
	Actuarial Loss/(Gain)	542 570	833 018
	Total long service 30 June	8 567 483	7 101 526
	Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(787 869)	(661 151)
	Balance at end of year	7 779 614	6 440 375
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance at beginning of year	61 549 537	50 144 700
	Contribution for the year	8 701 697	7 282 655
	Expenditure for the year	(2 454 588)	(1 932 670)
	Actuarial Loss/(Gain)	4 934 495	6 054 852
	Total employee benefits 30 June	72 731 141	61 549 537
	Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(2 648 935)	(2 279 124)
	Balance at end of year	70 082 206	59 270 413

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4	EMPLOYEE BENEFITS (CONTINUED)	2012 R	2011 R
4.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	638	638
	Continuation members (e.g. Retirees, widows, orphans)	59	60
	Total Members	697	698
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	35 606 739	28 850 351
	Continuation members	28 233 581	25 139 359
	Total Liability	63 840 320	53 989 710
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2010 R	2009 R
	Members	44 249 234	44 727 097
	Total Liability	44 249 234	44 727 097
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Bonitas;		
	LA Health		
	Hosmed		
	SAMWU Medical Aid; and		
	Key health.		
	The Future-service Cost for the ensuing year is estimated to be R3 050 583, whereas the Interest Cost for the next year is estimated to be R5 009 492.		
	Key actuarial assumptions used:	2012 %	2011 %
	i) Rate of interest		
	Discount rate	7.96%	8.72%
	Health Care Cost Inflation Rate	6.89%	7.30%
	Net Effective Discount Rate	1.00%	1.32%
	ii) Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	iii) Normal retirement age		
	It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.		
	The amounts recognised in the Statement of Financial Position are as follows:	2012 R	2011 R
	Present value of fund obligations	63 840 320	53 989 710
	Net liability/(asset)	63 840 320	53 989 710
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	53 989 710	44 249 234
	Total expenses	5 331 479	4 556 222
	Current service cost	2 594 044	2 101 696
	Interest Cost	4 638 301	4 017 527
	Benefits Paid	(1 900 867)	(1 563 002)
	Actuarial (gains)/losses	4 519 132	5 184 255
	Present value of fund obligation at the end of the year	63 840 320	53 989 710
	Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 808 916)	(1 594 884)
	Balance at end of year	62 031 404	52 394 826

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	35.607	28.234	63.840	
The effect of movements in the assumptions are as follows:				
Health care inflation 1%	44.226	31.507	75.732	19%
Health care inflation -1%	28.938	25.416	54.354	-15%
Post-retirement mortality -1 year	36.836	29.317	66.153	4%
Average retirement age -1 year	38.591	28.234	66.825	5%
Withdrawal Rate -50%	39.984	28.234	68.218	7%

4.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 7 (2011 = 7) employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R17 728.

Key actuarial assumptions used:	2012 %	2011 %
i) Rate of interest		
Discount rate	5.96%	7.63%
General increase rate	0.00%	5.32%
Net Effective Discount Rate (increasing pensions)	5.96%	2.20%
Net Effective Discount Rate (level pensions)	5.96%	7.63%

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	323 338	458 301
Net liability/(asset)	323 338	458 301
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	458 301	429 069
Total expenses	(7 756)	(8 347)
Interest Cost	32 882	34 133
Benefits Paid	(40 638)	(42 480)
Actuarial (gains)/losses	(127 207)	37 579
Present value of fund obligation at the end of the year	323 338	458 301
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(52 150)	(23 089)
Balance at end of year	271 188	435 212

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
Members	429 069	613 868	620 565
Total Liability	429 069	613 868	620 565

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		32.882	
Pension increase rate 1%		35.598	8%
Pension increase rate -1%		30.501	-7%
Post retirement mortality 1 Yrs		34.422	5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4	EMPLOYEE BENEFITS (CONTINUED)	2012 R	2011 R
4.3	Long Service Awards		
	The Long Service Awards plans are defined benefit plans. As at year end, 630 (2011 = 627) employees were eligible for Long Service Awards.		
	The Future-service Cost for the ensuing year is estimated to be R1 011 432, whereas the Interest Cost for the next year is estimated to be R541 502.		
	Key actuarial assumptions used:	2012 %	2011 %
	i) Rate of interest		
	Discount rate	6.62%	7.85%
	General Salary Inflation (long-term)	5.96%	6.28%
	Net Effective Discount Rate applied to salary-related Long Service Awards	0.62%	1.48%
	The amounts recognised in the Statement of Financial Position are as follows:	R	R
	Present value of fund obligations	8 567 483	7 101 526
	Net liability/(asset)	8 567 483	7 101 526
	Reconciliation of present value of fund obligation:	2012 R	2011 R
	Present value of fund obligation at the beginning of the year	7 101 526	5 466 397
	Total expenses	923 387	802 111
	Current service cost	904 375	649 870
	Interest Cost	532 095	479 429
	Benefits Paid	(513 083)	(327 188)
	Actuarial (gains)/losses	542 570	833 018
	Present value of fund obligation at the end of the year	8 567 483	7 101 526
	Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(787 869)	(661 151)
	Balance at end of year	7 779 614	6 440 375
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2010 R m	2009 R m
	Members	5.466	3.963
	Total Liability	5.466	3.963
	Sensitivity Analysis on the Unfunded Accrued Liability		
	Assumption	Change	Liability (Rm)
	Central assumptions		8.567
	General salary inflation	1%	9.258
	General salary inflation	-1%	7.953
	Average retirement age	- 2 Yrs	7.554
	Average retirement age	+ 2 Yrs	9.630
	Withdrawal rates	-50%	10.429
			% change
			8%
			-7%
			-12%
			12%
			22%
5	NON-CURRENT PROVISIONS	2012 R	2011 R
	Provision for Rehabilitation of Landfill-Sites	-	-
	Provision for Clearing of Alien Vegetation	7 514 910	5 987 299
	Total Non-current Provision Liabilities	7 514 910	5 987 299
	Landfill Sites		
	Balance at beginning of year	3 458 716	1 010 860
	Contribution for the year	266 250	2 642 481
	Expenditure for the year	-	(194 625)
	Total provision 30 June	3 724 966	3 458 716
	Less: Transfer of Current Portion to Current Provisions - Note 8	(3 724 966)	(3 458 716)
	Balance at end of year	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5	NON-CURRENT PROVISIONS (CONTINUED)	2012 R	2011 R
	<u>Clearing of Alien Vegetation</u>		
	Balance at beginning of year	5 987 299	5 702 190
	Contribution for the year	2 130 973	989 883
	Expenditure for the year	(603 362)	(704 773)
	Balance at end of year	7 514 910	5 987 299

It is expected that the rehabilitation costs of Landfill Sites be incurred in the ensuing financial year, while there is no definite commitment on expenditure for the clearing of backlog alien vegetation.

6	CONSUMER DEPOSITS	2012 R	2011 R
	Electricity	5 760 958	5 773 652
	Water	3 527 654	3 329 811
	Total Consumer Deposits	9 288 612	9 103 463
	Guarantees held in lieu of Electricity and Water Deposits	885 664	901 175

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

7	CURRENT EMPLOYEE BENEFITS	2012 R	2011 R
	Current Portion of Post Retirement Benefits - Note 4	1 808 916	1 594 884
	Current Portion of Ex-Gratia Pension Provisions - Note 4	52 150	23 089
	Current Portion of Long-Service Provisions - Note 4	787 869	661 151
	Performance Bonuses	403 550	580 803
	Staff Leave	9 534 801	9 094 143
	Pension Fund Investment Return Shortfall	1 978 444	1 978 444
	Workman's Compensation Commissioner	746 190	2 863 681
	TASK / Backpay Implementation	-	234 671
	Total Current Employee Benefits	15 311 920	17 030 866

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance at beginning of year	580 803	840 470
Contribution to current portion	311 467	249 319
Expenditure incurred	(488 720)	(508 986)
Balance at end of year	403 550	580 803

Performance bonuses are paid to the Municipal Manager and Section 56 Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Leave

Balance at beginning of year	9 094 143	8 550 455
Previously reported		5 907 136
Correction of error - Note 37.03		2 643 319
Contribution to current portion	1 337 463	1 262 523
Previously reported		1 264 022
Correction of error - Note 37.03		(1 499)
Expenditure incurred	(896 805)	(718 835)
Balance at end of year	9 534 801	9 094 143

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

Pension Fund Investment Return Shortfall

Balance at beginning of year	1 978 444	1 664 780
Contribution to current portion	-	313 665
Balance at end of year	1 978 444	1 978 444

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
7	CURRENT EMPLOYEE BENEFITS (CONTINUED)		
	<u>Workman's Compensation Commissioner</u>		
	Balance at beginning of year	2 863 681	2 166 799
	Contribution to current portion	419 716	554 198
	Expenditure incurred	(2 537 207)	-
	Penalties incurred	-	142 683
	Balance at end of year	746 190	2 863 681
	<u>Task / Backpay Implementation</u>		
	Balance at beginning of year	234 671	728 968
	Contribution to current portion	197 437	449 633
	Expenditure incurred	(432 109)	(943 930)
	Balance at end of year	-	234 671
	An agreement was reached on the implementation of a national salary grading structure with backpay to be paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement. Refer also to Note 52 for a contingent liability associated with the implementation of the wage curve.		
8	PROVISIONS		
	Current Portion of Rehabilitation of Landfill-sites - Note 5	3 724 966	3 458 716
	Total Provisions	3 724 966	3 458 716
9	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade payables	31 346 512	21 808 195
	Payments received in advance	4 825 724	4 675 262
	Retentions	4 227 191	5 653 095
	Hoarding fees	2 813 780	2 455 147
	Other payables	3 109 752	1 847 312
	Deposits: Other	460 135	394 563
	Total Trade Payables	46 783 095	36 833 575
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	All payables are unsecured.		
	The arrear portion of long term liabilities originated as a result of the debit order for the payment of the redemption being processed by the bank on 1 July 2012 due to 30 June 2012 falling on a weekend.		
	Other deposits include Hall and Tender Deposits.		
10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	2 137 005	5 633 600
	National Government Grants	314 761	3 915 997
	Provincial Government Grants	1 231 225	838 624
	Other Sources	591 018	878 980
	Less: Unpaid Grants	1 870 171	3 571 365
	National Government Grants	1 025 708	3 042 152
	Provincial Government Grants	844 463	430 526
	Other Sources	-	98 688
	Total Conditional Grants and Receipts	266 834	2 062 235
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
	The unspent National Grant is from the Masibambane Grant that was disbursed by the Department of Water Affairs between 2007 and 2010. In terms of the Division of Revenue Act no unspent National Grants have to be repaid by the Municipality to the National Fiscus for the year ended 30 June 2012.		
	See also appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11	UNSPENT PUBLIC CONTRIBUTIONS	2012	2011
		R	R
	Unspent Grants	-	4 500
	Roads-Eastford Downs Home Owners Association	-	4 500
	Total Public Contributions	-	4 500
The Unspent Contributions are cash-backed. The municipality complied with the conditions attached to all contributions received to the extent of revenue recognised.			
12	TAXES	2012	2011
		R	R
	VAT Payable (Restated 2011)	(7 873 135)	(6 772 542)
	Less: Contribution to Provision for impairment of trade receivables from exchange transactions	5 388 699	3 194 970
	Correction of error - Note 37.06		3 194 970
		(2 484 436)	(3 577 572)
	VAT Receivable (Restated 2011)	4 037 862	7 376 132
	Net Vat	1 553 426	3 798 559

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost							Accumulated Depreciation					Accumulated Impairments				Carrying Value
	Opening Balance	Additions	Work-in-Progress	Disposals	Transfer	Revaluation	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	Opening Balance	(Gains)/Losses	Transfer to cost	Closing Balance	
	R	R	R	R	R		R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	252 934 372	3 495 206	215 399	-	(122 193 422)	54 003 443	188 454 997	-	240 519	-	(240 519)	-	-	121 952 903	(121 952 903)	-	188 454 997
Buildings	22 931 372	3 083 206	163 437	-	(805 332)	28 512 343	53 885 025	-	240 519	-	(240 519)	-	-	564 813	(564 813)	-	53 885 025
Land	230 003 000	412 000	51 962	-	(121 388 090)	25 491 100	134 569 972	-	-	-	-	-	-	121 388 090	(121 388 090)	-	134 569 972
Infrastructure	544 023 424	20 138 020	29 351 562	6 409	-		593 506 597	142 964 660	14 893 145	1 773	-	157 856 032	-	-	-	-	435 650 565
Sewerage	70 056 590	296 693	12 723 562	-	-	-	83 076 845	17 584 048	2 367 145	-	-	19 951 193	-	-	-	-	63 125 652
Electricity	133 831 408	5 522 660	12 905 280	6 409	-	-	152 252 939	31 817 163	3 291 995	1 773	-	35 107 385	-	-	-	-	117 145 554
Water	206 349 321	3 429 312	1 862 625	-	-	-	211 641 258	37 622 350	4 528 897	-	-	42 151 246	-	-	-	-	169 490 012
Road	132 548 729	10 889 355	1 860 095	-	-	-	145 298 179	55 717 389	4 629 551	-	-	60 346 939	-	-	-	-	84 951 239
Security Measures	1 237 376	-	-	-	-	-	1 237 376	223 711	75 557	-	-	299 268	-	-	-	-	938 108
Community Assets	24 703 075	264 963	84 239	-	(702 780)	13 891 115	38 240 611	1 370 249	249 547	-	(153 616)	1 466 180	-	549 164	(549 164)	-	36 774 431
Lease Assets	8 295 245	9 088	-	1 533 235	-	-	6 771 097	4 024 979	1 120 098	1 533 231	-	3 611 845	-	-	-	-	3 159 252
Office Equipment	8 295 245	9 088	-	1 533 235	-	-	6 771 097	4 024 979	1 120 098	1 533 231	-	3 611 845	-	-	-	-	3 159 252
Heritage Assets	1 714 596	-	-	-	(871 000)	-	843 596	3 096	1 548	-	-	4 645	-	871 000	(871 000)	-	838 951
Other Assets	61 173 795	6 681 869	27 500	1 471 928	-		66 411 235	18 684 630	3 678 357	970 987	-	21 391 999	-	-	-	-	45 019 214
Bins & Containers	949 248	110 000	-	-	-		1 059 248	237 329	109 237	-	-	346 566	-	-	-	-	712 682
Bulk Containers	949 248	110 000	-	-	-	-	1 059 248	237 329	109 237	-	-	346 566	-	-	-	-	712 682
Other Assets	13 301 363	1 227 726	27 500	390 925	-		14 165 664	5 306 453	987 172	226 401	-	6 067 224	-	-	-	-	8 098 440
Tip Sites	941 490	-	-	-	-	-	941 490	94 144	7 955	-	-	102 099	-	-	-	-	839 391
In & Outdoor Sport Facilities	72 418	-	-	-	-	-	72 418	19 046	3 628	-	-	22 674	-	-	-	-	49 744
Other Plant & Equipment	11 349 364	1 184 299	27 500	375 811	-	-	12 185 352	4 884 827	880 733	212 751	-	5 552 809	-	-	-	-	6 632 543
Laboratory Equipment	283 301	-	-	-	-	-	283 301	30 115	18 800	-	-	48 915	-	-	-	-	234 386
Equipment Fire	150 894	24 227	-	-	-	-	175 121	38 092	16 826	-	-	54 918	-	-	-	-	120 203
Lawnmowers	163 967	-	-	-	-	-	163 967	63 262	18 059	-	-	81 321	-	-	-	-	82 646
Radio Equipment	339 929	19 200	-	15 114	-	-	344 015	176 967	41 171	13 650	-	204 488	-	-	-	-	139 527
Office Equipment	13 262 863	2 068 552	-	817 787	-	-	14 513 628	5 066 033	1 085 724	577 397	-	5 574 359	-	-	-	-	8 939 270
Air Conditioners	1 065 983	15 840	-	-	-	-	1 081 823	201 634	53 623	-	-	255 256	-	-	-	-	826 567
Computer Hardware	7 157 783	1 636 231	-	488 340	-	-	8 305 674	3 057 566	732 102	360 708	-	3 428 960	-	-	-	-	4 876 714
Office Machines	777 674	166 602	-	56 487	-	-	887 789	283 075	84 912	41 416	-	326 570	-	-	-	-	561 218
Cabinets & Cupboards	4 118 413	249 879	-	272 960	-	-	4 095 332	1 484 764	215 087	175 273	-	1 524 578	-	-	-	-	2 570 754
Other Furniture	143 010	-	-	-	-	-	143 010	38 994	-	-	-	38 994	-	-	-	-	104 016
Vehicles	33 660 320	3 275 590	-	263 216	-	-	36 672 694	8 074 815	1 496 224	167 189	-	9 403 850	-	-	-	-	27 268 823
Motor Vehicles	1 081 803	272 983	-	-	-	-	1 354 786	520 721	111 340	-	-	632 061	-	-	-	-	722 725
Trucks & LDVs	23 975 202	1 978 982	-	216 452	-	-	25 737 733	5 722 060	1 129 698	136 682	-	6 715 076	-	-	-	-	19 022 657
Motor Cycles	350 896	137 736	-	46 764	-	-	441 868	123 877	29 655	30 507	-	123 025	-	-	-	-	318 843
Motor Cars	3 293 702	563 902	-	-	-	-	3 857 604	679 337	108 791	-	-	788 128	-	-	-	-	3 069 477
Tractors	1 783 491	-	-	-	-	-	1 783 491	401 666	47 152	-	-	448 818	-	-	-	-	1 334 673
Trailers	1 658 011	25 987	-	-	-	-	1 683 998	423 276	41 464	-	-	464 739	-	-	-	-	1 219 259
Graders	1 517 214	296 000	-	-	(22)	-	1 813 192	203 879	28 125	-	-	232 003	-	-	-	-	1 581 189
	892 844 506	30 589 145	29 678 699	3 011 572	(123 767 202)	67 894 557	894 228 134	167 047 614	20 183 214	2 505 992	(394 135)	184 330 701	-	123 373 067	(123 373 067)	-	709 897 411

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

(Restated - See Note 37.04)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation					Accumulated Impairments				Carrying Value	
(Restated - See Note 37.04)	Opening Balance	Additions	Work-in-Progress	Disposals	Transfer	Revaluation	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	Opening Balance	(Gains)/ Losses	Transfer to cost	Closing Balance	
	R	R	R	R	R		R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	225 899 000	823 000	298 415	-	25 913 957		252 934 372	-	206 622	-	(206 622)	-	-	(26 120 579)	26 120 579	-	252 934 372
Buildings	20 057 000	-	298 415	-	2 575 957		22 931 372	-	206 622	-	(206 622)	-	-	(2 782 579)	2 782 579	-	22 931 372
Land	205 842 000	823 000	-	-	23 338 000		230 003 000	-	-	-	-	-	-	(23 338 000)	23 338 000	-	230 003 000
Infrastructure	498 271 827	20 382 609	25 368 988	-	-		544 023 424	130 290 482	12 674 178	-		142 964 660	-	-	-	-	401 058 764
Sewerage	61 890 553	461 208	7 704 828	-	-		70 056 590	15 913 549	1 670 499	-	-	17 584 048	-	-	-	-	52 472 542
Electricity	125 915 787	2 553 492	5 362 129	-	-		133 831 408	28 773 061	3 044 102	-	-	31 817 163	-	-	-	-	102 014 245
Water	180 050 089	15 541 407	10 757 826	-	-		206 349 321	34 192 008	3 430 342	-	-	37 622 350	-	-	-	-	168 726 972
Road	129 221 368	1 783 158	1 544 204	-	-		132 548 729	51 258 498	4 458 891	-	-	55 717 389	-	-	-	-	76 831 340
Security Measures	1 194 030	43 346	-	-	-		1 237 376	153 366	70 344	-	-	223 711	-	-	-	-	1 013 665
Community Assets	21 983 713	-	-	-	2 719 362		24 703 075	1 287 292	217 713	-	(134 757)	1 370 249	-	(2 854 119)	2 854 119	-	23 332 826
Lease Assets	5 715 481	2 902 983	-	323 219	-	-	8 295 245	2 948 797	1 399 394	323 213		4 024 979	-	-	-	-	4 270 266
Office Equipment	5 715 481	2 902 983	-	323 219	-		8 295 245	2 948 797	1 399 394	323 213		4 024 979	-	-	-	-	4 270 266
Heritage Assets	1 558 596	-	-	-	156 000		1 714 596	1 548	1 548	-		3 096	-	(156 000)	156 000	-	1 711 500
Other Assets	65 550 468	4 873 704	-	9 250 377	-		61 173 795	23 234 612	4 161 944	8 711 927	-	18 684 630	-	-	-	-	42 489 165
Bins & Containers	949 248	-	-	-	-		949 248	174 047	63 283	-	-	237 329	-	-	-	-	711 919
Bulk Containers	949 248	-	-	-	-		949 248	174 047	63 283	-	-	237 329	-	-	-	-	711 919
Other Assets	16 888 749	855 339	-	4 442 725	-		13 301 363	8 344 277	1 368 995	4 406 819	-	5 306 453	-	-	-	-	7 994 910
Tip Sites	941 490	-	-	-	-		941 490	86 191	7 953	-	-	94 144	-	-	-	-	847 346
In & Outdoor Sport Facilities	72 418	-	-	-	-		72 418	15 426	3 620	-	-	19 046	-	-	-	-	53 372
Other Plant & Equipment	14 680 527	660 296	-	3 991 458	-		11 349 364	7 614 447	1 226 506	3 956 127	-	4 884 827	-	-	-	-	6 464 538
Laboratory Equipment	90 673	192 670	-	42	-		283 301	23 981	6 175	40	-	30 115	-	-	-	-	253 186
Equipment Fire	150 894	-	-	-	-		150 894	23 244	14 848	-	-	38 092	-	-	-	-	112 802
Lawnmowers	266 304	-	-	102 337	-		163 967	133 185	32 404	102 327	-	63 262	-	-	-	-	100 705
Radio Equipment	686 444	2 373	-	348 888	-		339 929	447 803	77 489	348 325	-	176 967	-	-	-	-	162 962
Office Equipment	15 471 579	1 609 986	-	3 818 702	-		13 262 863	7 577 971	1 298 866	3 810 804	-	5 066 033	-	-	-	-	8 196 831
Air Conditioners	1 034 891	31 092	-	-	-		1 065 983	149 783	51 850	-	-	201 634	-	-	-	-	864 350
Computer Hardware	8 385 487	1 065 399	-	2 293 103	-		7 157 783	4 511 540	837 988	2 291 962	-	3 057 566	-	-	-	-	4 100 217
Office Machines	1 161 671	77 338	-	461 334	-		777 674	641 620	102 090	460 636	-	283 075	-	-	-	-	494 599
Cabinets & Cupboards	4 684 856	419 797	-	986 241	-		4 118 413	2 177 012	288 195	980 444	-	1 484 764	-	-	-	-	2 633 649
Other Furniture	204 674	16 360	-	78 023	-		143 010	98 014	18 742	77 763	-	38 994	-	-	-	-	104 016
Vehicles	32 240 891	2 408 380	-	988 951	-		33 660 320	7 138 318	1 430 801	494 305	-	8 074 815	-	-	-	-	25 585 505
Motor Vehicles	1 081 803	-	-	-	-		1 081 803	426 641	94 080	-	-	520 721	-	-	-	-	561 082
Trucks & LDVs	22 563 635	2 390 430	-	978 863	-		23 975 202	5 129 196	1 085 716	492 852	-	5 722 060	-	-	-	-	18 253 142
Motor Cycles	350 896	-	-	-	-		350 896	99 053	24 825	-	-	123 877	-	-	-	-	227 019
Motor Cars	3 293 702	-	-	-	-		3 293 702	569 358	109 978	-	-	679 337	-	-	-	-	2 614 366
Tractors	1 783 491	-	-	-	-		1 783 491	354 538	47 128	-	-	401 666	-	-	-	-	1 381 825
Trailers	1 650 149	17 950	-	10 088	-		1 658 011	383 719	41 009	1 452	-	423 276	-	-	-	-	1 234 736
Graders	1 517 214	-	-	-	-		1 517 214	175 814	28 064	-	-	203 879	-	-	-	-	1 313 336
	818 979 084	28 982 297	25 667 403	9 573 596	28 789 319		892 844 506	157 762 732	18 661 401	9 035 140	(341 379)	167 047 614	-	(29 130 698)	29 130 698	-	725 796 892

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
13	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
	Fully Depreciated assets still in use were as follows:	-	-
	The municipality reviewed the original useful lives of all Property, Plant and Equipment as part of the implementation of Directive 4 in 2011, and restated the results of the reviews retrospectively as correction of errors, since the original useful lives allocated were not correct. A further review was performed in 2011/2012.		
	Carrying value of assets retired from active use and held for disposal:	-	-
	Carrying value of temporarily idle property plant and equipment:	-	-
	Assets pledged as security:	-	-
	Third party payments received for losses incurred:		
	Payments received (Excluding VAT)	1 140 545	616 811
	Details of property plant and equipment carried at fair value		
	The valuations were performed by DDP Valuers and the valuer was Ms E Roos, a Professional Valuer with registration number 5000/5.		
	Properties were valued on the comparative sales method of valuation, based on the active market values in the area.		
	The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.		
	Reconciliation of revaluation surplus:		
	Opening balance	-	-
	Movement for the period	67 894 557	-
	Closing balance	67 894 557	-
14	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale at beginning of year - at book value	-	19 215
	Additions for the year	-	(19 215)
	Non-current assets held for sale at end of year - at book value	-	-
15	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	198 067 000	178 044 000
	Balance previously reported - at Fair Value	198 067 000	142 103 000
	Correction of error - Note 37.06		35 941 000
	Acquisitions	50 000	-
	Fair value adjustments	32 013 000	20 023 000
	Balance previously reported - Fair value adjustments		18 338 000
	Correction of error - Note 37.06		1 685 000
	Impairment	(94 634 000)	-
	Net Carrying amount at 30 June	135 496 000	198 067 000
	Fair Value	135 496 000	198 067 000
	Revenue derived from the rental of investment property	1 694 729	2 338 093
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	The Fair Value of Investment properties was determined by a qualified valuer based on current market prices.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16	INTANGIBLE ASSETS	2012	2011
		R	R
	Computer Software		
	Net Carrying amount at 1 July	817 947	973 681
	Cost - Previously reported	1 896 573	2 315 638
	Correction of error - Note 37.05		(393 162)
	Accumulated Amortisation - Previously reported	(1 078 626)	(2 138 123)
	Correction of error - Note 37.05		1 189 328
	Disposals - Restated 2011 - Note 37.05		(3)
	Cost		(25 903)
	Accumulated Amortisation		25 900
	Rounding adjustments	(5)	(3)
	Amortisation	(148 797)	(155 728)
	Previously reported		(89 380)
	Correction of error - Note 37.05		(66 348)
	Net Carrying amount at 30 June	669 145	817 947
	Cost	1 896 573	1 896 573
	Accumulated Amortisation	(1 227 428)	(1 078 626)
	<u>Description</u>	<u>2012</u>	<u>2011</u>
		<u>R</u>	<u>R</u>
	Computer software	6 Years	
		669 145	817 947
	No intangible assets were assessed having an indefinite useful life.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		
17	NON-CURRENT INVESTMENTS	2012	2011
		R	R
	Unlisted	19 152 531	16 715 984
	Investment in Entity - Knysna Economic Development Agency	2 271 746	1 732 435
	Other Fixed Deposits - at fair value	16 880 785	14 983 550
	Less: Provision for impairment - Knysna Economic Development Agency	(2 271 745)	(1 732 434)
	Total Non-Current Investments	16 880 786	14 983 551
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	1 732 434	218 041
	Contribution/(Reduction) to provision	539 311	1 514 393
	Balance at end of year	2 271 745	1 732 434
	The average interest rate was 5,79% (2011: 6,26%).		
	Investments made to serve as collateral security for staff housing loans:	17 443	17 443
	Fixed Deposits of R 16,863,342 (2011: R 14,966,107) have been pledged to DBSA as guarantees on external loans taken up.		
	Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		
	The investment in the entity has been impaired due to Council taking a decision that the Entity will be discontinued.		
18	LONG TERM RECEIVABLES	2012	2011
		R	R
	Land Sales - Morcana Investments	194 920	194 920
	Staff Housing loans - At amortised cost	11 995	16 025
	Old Age Homes / Creche - At amortised cost	805 646	863 778
	Sundry deposits - At amortised cost	7 416	6 800
	Eastford Downs Public Contributions	175 439	-
	Eastford Ridge Public Contributions	162 281	-
		1 357 696	1 081 523
	Less: Unamortised Discount on Loans	-	(5 230)
	Balance at beginning of year	(5 230)	(8 312)
	Adjustment for the period	5 230	3 082
	Less: Current portion transferred to current receivables	(201 842)	(62 931)
	Staff Loans - At amortised cost	(2 776)	(4 799)
	Old Age Homes - At amortised cost	(58 715)	(58 132)
	Eastford Home Owners Associations - At amortised cost	(140 351)	-
		1 155 854	1 013 362
	Less: Provision for Impairment of Long Term Receivables	(522 593)	(546 086)
	Total Long Term Receivables	633 261	467 276

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18

LONG TERM RECEIVABLES (CONTNUED)

2012
R

2011
R

The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the provision for doubtful debts created is R 522 593 (2011: R 546 086) and the following loans and receivables are included therein:

Old Age Homes / Creche - At amortised cost

522 593

546 086

Total Provision for Bad Debts on Other

522 593

546 086

Reconciliation of Provision for Bad Debts

Balance at beginning of year

546 086

1 202 511

Contribution/(Reduction) to provision

(23 492)

(23 259)

Bad Debts written off

-

(633 166)

Balance at end of year

522 593

546 086

STAFF HOUSING LOANS

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% per annum and the carrying value equals the discounted amount using the effective interest rate.

OLD AGE HOMES

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

HOME OWNERS ASSOCIATIONS - EASTFORD

The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions. No discounting is performed as it is regarded as a non-exchange public contribution.

Bad Debts written off : Vermont Old Age Home

At it's meeting of 30 September 2010 Council resolved to write off all arears relating to the loan for Vermont Old Age Home. The R 633 166 relates to the capital balance of the loan owed to the Housing Development Fund which was written off. The loan was provided by Provincial Government and transferred to Council in the mid 1990's as part of the creation of the Housing Development Fund.

19

INVENTORY

2012
R

2011
R

Consumable Stores - Stationery and materials - At cost

2 331 167

745 640

Maintenance Materials - At cost

5 094 458

3 077 664

Balance previously reported

1 006 878

Correction of error - Notes 37.02, 37.07 and 37.08

2 070 786

Water - At purification cost

535 484

469 113

Spare parts - At cost

3 451

1 616

Total Inventory

7 964 559

4 294 032

Consumable stores materials written down due to losses as identified during the annual stores counts.

19 359

69 742

Consumable stores materials surpluses identified during the annual stores counts.

116 508

56 614

Inventory recognised as an expense during the year

21 572 127

15 629 506

Dormant and slow moving inventory at year-end

116 547

118 196

No inventory assets were pledged as security for liabilities.

20

RECEIVABLES FROM EXCHANGE TRANSACTIONS

GROSS
BALANCES
R

PROVISION FOR
IMPAIRMENTS
R

NETT
BALANCES
R

As at 30 June 2012

Electricity

25 340 005

4 540 633

20 799 371

Water

27 258 504

18 602 766

8 655 738

Rentals

2 578 673

2 282 115

296 558

Refuse

11 958 218

12 125 287

(167 069)

Sewerage

10 654 288

8 610 682

2 043 607

Other Arrears

5 129 730

58 315

5 071 415

Total : Trade receivables from exchange transactions

82 919 418

46 219 799

36 699 619

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
As at 30 June 2011			
Electricity	21 933 157	1 980 302	19 952 854
Water	22 894 742	12 033 697	10 861 044
Rentals	1 954 050	1 602 970	351 079
Refuse	10 066 788	5 057 588	5 009 201
Sewerage	9 196 343	4 640 752	4 555 591
Other Arrears	4 688 553	2 356 027	2 332 526
Total : Trade receivables from exchange transactions	70 733 632	27 671 336	43 062 296

The fair value of other receivables approximate their carrying value.

Ageing of Receivables from Exchange Transactions**Electricity: Ageing**

	2012 R	2011 R
Current (0 - 30 days)	15 784 649	17 314 127
31 - 60 Days	3 218 067	1 038 744
61 - 90 Days	1 092 441	708 317
+ 90 Days	5 244 848	2 871 968
Total	25 340 005	21 933 157

Water: Ageing

Current (0 - 30 days)	3 675 658	5 011 782
31 - 60 Days	1 504 993	1 336 163
61 - 90 Days	948 673	4 017 171
+ 90 Days	21 129 180	12 529 626
Total	27 258 504	22 894 742

Refuse: Ageing

Current (0 - 30 days)	981 702	1 257 690
31 - 60 Days	421 154	629 599
61 - 90 Days	307 699	1 964 061
+ 90 Days	10 247 665	6 215 438
Total	11 958 218	10 066 788

Sewerage: Ageing

Current (0 - 30 days)	621 787	883 821
31 - 60 Days	343 905	436 296
61 - 90 Days	264 827	1 637 441
+ 90 Days	9 423 770	6 238 784
Total	10 654 288	9 196 343

Rentals: Ageing

Current (0 - 30 days)	222 730	344 519
31 - 60 Days	126 101	110 801
61 - 90 Days	116 931	90 768
+ 90 Days	2 112 911	1 407 962
Total	2 578 673	1 954 050

Other: Ageing

Current (0 - 30 days)	818 439	857 334
31 - 60 Days	129 903	760 788
61 - 90 Days	85 322	281 630
+ 90 Days	4 096 065	2 788 800
Total	5 129 730	4 688 553

Total: Ageing

Current (0 - 30 days)	22 104 964	25 669 273
31 - 60 Days	5 744 123	4 312 391
61 - 90 Days	2 815 892	8 699 389
+ 90 Days	52 254 439	32 052 578
Total	82 919 418	70 733 632

Reconciliation of the Total doubtful debt provision

Balance at beginning of the year	27 671 336	21 527 766
Contributions to provision	21 846 226	12 632 170
Doubtful debts written off against provision	(3 297 763)	(6 488 600)
Balance at end of year	46 219 799	27 671 336

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R	Other Debtors R	National and Provincial Government R	Total R
2012				
Total Receivables	80 398 786	905 008	1 615 623	82 919 418
Less: Provision for doubtful debts	(45 817 042)	(398 437)	(4 320)	(46 219 799)
Total Recoverable debtors by customer classification	34 581 744	506 572	1 611 304	36 699 619
2011				
Total Receivables	62 207 377	7 411 123	1 115 132	70 733 632
Less: Provision for doubtful debts	(27 619 157)	(52 179)	-	(27 671 336)
Total Recoverable debtors by customer classification	34 588 219	7 358 944	1 115 132	43 062 296

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
<u>Other Receivables</u>		
Rates	31 571 209	27 759 139
Miscellaneous	8 292 128	1 023 841
Total Other Receivables	39 863 337	28 782 980
Less: Allowance for Doubtful Debts	(13 599 409)	(8 912 908)
Net Other Receivables	26 263 929	19 870 072
Total Net Receivables from Non-Exchange Transactions	26 263 929	19 870 072
<u>Ageing of Receivables from Non-Exchange Transactions</u>		
<u>Rates: Ageing</u>		
Current (0 - 30 days)	6 149 620	7 756 399
31 - 60 Days	2 039 305	1 832 166
61 - 90 Days	1 256 573	4 378 776
+ 90 Days	22 125 711	13 791 798
Total	31 571 209	27 759 139
<u>Miscellaneous : Ageing</u>		
Current (0 - 30 days)	4 193 935	213 918
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	4 098 193	809 924
Total	8 292 128	1 023 841
<u>Reconciliation of the Total doubtful debt provision</u>		
Balance at beginning of the year	8 912 909	5 985 675
Contributions to provision	4 904 052	3 135 457
Doubtful debts written off against provision	(217 552)	(208 223)
Balance at end of year	13 599 410	8 912 909

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Trade and other receivables impaired

2012	Exchange Transactions R	Non-Exchange Transactions R	Total R
Total	46 219 799	13 599 409	59 819 208
2011	Exchange Transactions R	Non-Exchange Transactions R	Total R
Total	27 671 336	8 912 908	36 584 244

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of trade and other receivables approximates their carrying amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22	OPERATING LEASE ARRANGEMENTS	2012 R	2011 R
22.1	The Municipality as Lessee		
	Balance at beginning of year	1 188 177	1 022 725
	Movement during the year	(60 940)	165 452
	Balance at end of year	1 127 236	1 188 177
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
	Up to 1 Year	2 532 311	3 435 070
	1 to 5 Years	5 870 972	8 231 537
	More than 5 Years	-	171 745
	Total Operating Lease Arrangements	8 403 282	11 838 352
	The municipality did not pay any contingent rent during the year		
	The municipality does not engage in any sub-lease arrangements.		
22.2	The Municipality as Lessor		
	Balance at beginning of year	2 397 856	2 167 750
	Operating Lease Asset for the current year	34 135	230 106
	Balance at end of year	2 431 991	2 397 856
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	1 040 374	940 269
	1 to 5 Years	4 192 401	4 457 054
	More than 5 Years	10 068 944	11 228 295
	Total Operating Lease Arrangements	15 301 719	16 625 619
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for periods ranging until 2088.		
	The municipality does not engage in any sub-lease arrangements.		
	The municipality did not receive any contingent rent during the year		
23	CASH AND CASH EQUIVALENTS	2012 R	2011 R
	Assets		
	Call Investments Deposits	30 341 591	31 077 680
	Primary Bank Account	24 088 389	25 334 590
	Secondary Bank Accounts	1 060 553	884 040
	Cash Floats	12 270	12 270
	Total Cash and Cash Equivalents - Assets	55 502 803	57 308 580
	Liabilities		
	Primary Bank Account	-	-
	Total Cash and Cash Equivalents - Liabilities	-	-
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques are included in Cash and Cash Equivalents.		
	Call Investment Deposits to an amount of R 2 137 005 are held to fund the Unspent Conditional Grants (2011: R5 633 600).		
	Call Deposits of R 7 804 936 (2011: R 7 376 373) have been pledged to DBSA as guarantees on external loans taken up.		
	The municipality has the following bank accounts:		
	Current Accounts		
	ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):	-	-
	Nedbank - Account Number 1626561826 (Primary Bank Account):	24 088 389	25 334 590
	Nedbank - Account Number 1626561834 (Secondary Account):	1 060 418	883 804
	Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):	135	236
		25 148 942	26 218 630

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

23 CASH AND CASH EQUIVALENTS (CONTINUED)

Nedbank - Account Number 1626561826 (Primary Bank Account):

Cash book balance at beginning of year	25 334 590	(10 185 666)
Cash book balance at end of year	24 088 389	25 334 590

Bank statement balance at beginning of year	33 543 663	24 499 288
Bank statement balance at end of year	29 516 697	33 543 663

Nedbank - Account Number 1626561834 (Secondary Account):

Cash book balance at beginning of year	883 804	127 360
Cash book balance at end of year	1 060 418	883 804

Bank statement balance at beginning of year	1 162 721	529 700
Bank statement balance at end of year	1 170 276	1 162 721

Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):

Cash book balance at beginning of year	236	336
Cash book balance at end of year	135	236

Bank statement balance at beginning of year	236	336
Bank statement balance at end of year	135	236

Nedbank - Account Number 1014756022 (Tertiary Account - Traffic Fines):

Cash book balance at beginning of year	-	-
Cash book balance at end of year (cleared monthly)	-	-

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

Traffic account is cleared daily to Primary Bank Account.

ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):

Cash book balance at beginning of year	-	642 629
Cash book balance at end of year	-	-

Bank statement balance at beginning of year	-	637 234
Bank statement balance at end of year	-	-

Call Investment Deposits

Call investment deposits consist of the following accounts:

Nedbank - 03/7881531940/35 - Ceded DBSA	7 804 936	7 376 373
Nedbank - 03/7881531940/26	-	425 287
Nedbank - 03/7881080760/01	-	4 174 698
Nedbank - 03/7881085932/01	-	5 060 204
Nedbank Retail - 36294875-9998	4 108 883	-
Nedbank Retail - 33162307-9997	-	2 598 767
Old Mutual - 111249865	4 346 477	298 435
Old Mutual - 111260822	-	339 018
Old Mutual - 111243580	5 840 554	5 146 184
Old Mutual - 111243583	-	17 561
Old Mutual - 111249864	3 032 314	39 650
Old Mutual - 111249866	-	24 053
Standard Bank - 288567420-002	5 075 031	-
Standard Bank - 08/872631/001	7 747	-
Standard Bank - 08/8726312/001	-	5 208 096
Standard Bank - 08/8726312/004	-	249 953
Investec - 021941-501	125 649	119 398
	30 341 591	31 077 680

Guarantees Issued

In respect of a connection deposit to a bulk water pump station with Eskom Holdings Limited.	156 100	156 100
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24 PROPERTY RATES

Actual**Rateable Land and Buildings**

Domestic	106 401 815	99 328 500
Building Clause Levies	-	4 565
Accommodation	16 147 160	15 145 671
Commercial	15 111 519	13 664 281
Church	807 319	763 980
Light Industrial	3 725 343	3 453 943
Agricultural / Rural	826 932	680 931
State	3 558 383	3 167 216
Other - Pensioners etc.	1 662 862	1 854 652

Less: Rebates**Total Assessment Rates**

(22 877 136)	(21 272 360)
125 364 197	116 791 378

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 PROPERTY RATES (CONTINUED)

2012
R'0002011
R'000Valuations - 30 June**Rateable Land and Buildings****24 224 026****23 590 281**

Domestic
Accommodation
Commercial
Church
Light Industrial
Agricultural / Rural
State
Public benefit
Public Infrastructure
Municipal
Others

18 996 667	18 639 371
2 066 416	2 290 862
1 907 031	1 467 406
84 725	85 865
394 559	392 029
113 093	4 925
366 800	385 854
15 680	14 500
6 267	5 353
224 388	252 373
48 400	51 743

Total Assessment Rates**24 224 026****23 590 281**

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2008. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0055836 was charged on the total market value. Businesses were charged at a rate of R 0.0096780 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R30,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

25 GOVERNMENT GRANTS AND SUBSIDIES

2012
R2011
R**Unconditional Grants****26 687 000****22 278 864**

Equitable Share - Refer to Note 25.01

26 687 000	22 278 864
------------	------------

Conditional Grants**93 222 798****77 551 827**

National FMG Grant
National MIG Grant
National MSIG Grant
National: Neighbourhood Development Partnership Grant
National INEP Grant
National Municipal Disaster Management Grant (MDMG)
Provincial Housing Grant
Provincial Other Grants
EDEN District Municipal Grant
Other Spheres of Government Grants
Other Organisational Grants

1 219 391	1 030 609
17 777 506	20 284 743
722 027	817 973
7 764 120	1 398 764
4 494 748	1 452 000
-	12 584 844
59 933 646	37 596 464
1 023 398	967 345
-	290 000
-	-
287 961	1 129 086

Total Government Grants and Subsidies**119 909 798****99 830 691**

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

30 678 919	36 887 924
89 230 879	62 942 767

119 909 798**99 830 691**

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

2012
R2011
R

Equitable share

26 687 000

22 278 864

Community Services
Corporate Services
Electricity
Executive & Council
Finance
Planning
Technical

1 037 109	878 472
78 000	157 236
3 210 480	7 482 957
20 064	-
1 941 419	2 437 780
68 170 562	41 008 752
17 885 229	25 586 630

119 029 864**99 830 691**

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
25.01	Equitable share	26 687 000	22 278 864
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
25.02	National: Finance Management Grant (FMG)		
	Balance unspent at beginning of year	(30 609)	-
	Current year receipts	1 250 000	1 000 000
	Conditions met - transferred to revenue	(1 219 391)	(1 030 609)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	(30 609)
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.		
25.03	National: Municipal Infrastructure Grant (MIG)		
	Balance unspent at beginning of year	(2 943 570)	5 668 173
	Current year receipts	19 933 000	11 673 000
	Conditions met - transferred to revenue	(17 777 506)	(20 284 743)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(788 076)	(2 943 570)
	The grant was used to construct roads, labour intensive side walks and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
25.04	National: Municipal Systems Improvement Grant		
	Balance unspent at beginning of year	(67 973)	-
	Current year receipts	790 000	750 000
	Conditions met - transferred to revenue	(722 027)	(817 973)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	(67 973)
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System.		
25.05	National: Neighbourhood Development Partnership Grant		
	Balance unspent at beginning of year	3 601 236	
	Current year receipts	4 120 000	5 000 000
	Conditions met - transferred to revenue	(7 764 120)	(1 398 764)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(42 884)	3 601 236
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.		
25.06	National: Integrated National Electrification Program Grant		
	Current year receipts	4 300 000	1 452 000
	Conditions met - transferred to revenue	(4 494 748)	(1 452 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(194 748)	-
	The INEP Grant was used to address electrification backlogs of permanently occupied dwellings.		
25.07	National Municipal Disaster Management Grant (MDMG)		
	Balance unspent at beginning of year	-	(5 315 156)
	Current year receipts	-	17 900 000
	Conditions met - transferred to revenue	-	(12 584 844)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-
	The MDMG was awarded as a drought relief grant and is to be utilised in the creation of additional water resources, specifically ground water and desalination.		
25.08	Provincial - Integrated Housing & Human Settlements Grant		
	Balance unspent at beginning of year	(430 527)	(2 126 376)
	Current year receipts	59 519 709	39 292 313
	Conditions met - transferred to revenue	(59 933 646)	(37 596 464)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(844 464)	(430 527)
	The IHHS from the Department of Local Government & Housing is used for the construction of infrastructure and houses in the Vision 2002, Flenters/Robololo & Sizamile Housing projects; as well as for the rectification of housing units in the greater Knysna area built pre- and post-1994.		
25.09	Provincial - Other Provincial Grants		
	Balance due at beginning of the year	-	(32 833)
	Balance unspent at beginning of the year	838 624	1 053 801
	Current year receipts	1 416 000	785 000
	Conditions met - transferred to revenue	(1 023 398)	(967 345)
	Unspent (Unpaid) Conditional Government Grants and Receipts	1 231 225	838 624
	Various grants were received from Provincial Government for sanitation, libraries, transport, disaster relief, etc; the main grants being: Community Development Workers, Emergency Housing Program, Library Services, Maintenance of Proclaimed Roads, Sport and Non-motorised Transport Grants.		

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
25.10	Provincial - Contributed Assets		
	Current year asset contributed	-	823 000
	Conditions met - transferred to revenue	-	(823 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-
	The Provincial Government transferred two erven to the municipality at a nominal value of R2 (2011). In terms of GRAP 17.23 the assets were recognised at a fair value, being the value determined by the General Valuation adjusted by property index for the particular use in the area concerned.		
25.11	District - EDEN District Municipal Grants		
	Balance unspent at beginning of year	-	290 000
	Balance due at beginning of the year	-	-
	Current year receipts	-	150 000
	Conditions met - transferred to revenue	-	(290 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-
	The unspent EDEN grants comprise amounts received and to be utilised for prepaid meters in Karatara (2010), a Biodiversity Study (2010) and a Knysna Survey Project (2011).		
25.12	Other Spheres of Government Grants		
	Balance unspent at beginning of year	314 761	234 761
	Current year receipts	-	80 000
	Conditions met - transferred to revenue	-	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	314 761	314 761
	This unspent Grant is from Masibambane (DWAE) and to be utilised for the continued development of Asset Maintenance Plans.		
25.13	Other organisational grants		
	Balance due at beginning of the year	(98 688)	(432 021)
	Balance unspent at the beginning of the year	728 980	1 167 262
	Impairment	98 688	
	Current year receipts	-	1 024 137
	Conditions met - transferred to revenue	(287 961)	(1 129 086)
	Conditions met - balance due by organisation transferred to current assets	-	(98 688)
	Conditions met - balance transferred to current liabilities	441 019	728 980
	Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being National Lottery, Local Government Seta and Umsobomvu Youth Fund.		
25.14	Changes in levels of government grants		
	Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
26	SERVICE CHARGES	2012 R	2011 R
	Electricity	160 872 713	139 133 502
	Service Charges	163 677 780	142 084 025
	<u>Less:</u> Rebates	(2 805 067)	(2 950 523)
	Water	40 827 611	38 949 307
	Service Charges	47 194 364	44 532 492
	<u>Less:</u> Rebates	(6 366 753)	(5 583 186)
	Refuse removal	13 130 612	12 695 305
	Service Charges	14 097 914	13 490 219
	<u>Less:</u> Rebates	(967 302)	(794 914)
	Sewerage and Sanitation Charges	9 541 939	9 096 234
	Service Charges	10 413 392	9 812 504
	<u>Less:</u> Rebates	(871 452)	(716 270)
	Other Service Charges	2 175 962	2 143 944
	Total Service Charges	226 548 838	202 018 292
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

27	OTHER INCOME	2012 R	2011 R
	Administration fees	175 430	178 599
	Irregular expenditure recovered	206 196	9 380
	Parking fees	68 168	27 527
	Penalty disconnection fees	227 135	505 451
	Sundries	479 698	607 390
	Valuation certificates	198 118	158 320
	Sale of refuse bags	169 425	132 027
	Total Other Income	1 524 171	1 618 694

28	EMPLOYEE RELATED COSTS	2012 R	2011 R
	Employee Related Costs - Salaries and Wages	86 122 494	77 020 012
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	23 336 222	21 748 299
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	7 611 434	6 366 995
	Housing Benefits and Allowances	1 393 462	1 350 944
	Overtime Payments	6 155 397	5 081 783
	Bonuses	6 073 624	5 482 519
	Provision for leave (Restated for 2011)	1 337 463	1 262 523
	TASK implementation	197 437	214 961
	Contribution to provision - Ex-gratia pensions - Note 4	32 882	34 133
	Contribution to provision - Long Service Awards - Note 4	1 436 470	1 129 299
	Contribution to provision - Post Retirement Medical - Note 4	7 232 345	6 119 223
		140 929 230	125 810 690
	Less: Employee Costs allocated elsewhere	(1 514 940)	(795 860)
	Total Employee Related Costs	139 414 290	125 014 831

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr JB Douglas - July 2011 - August 2011

Annual Remuneration (including until 31 Dec 2011 by agreement)	501 966	902 265
Backpay	58 912	58 912
Leave pay	214 249	
Acting Allowance : R. K Smit		16 232
Car Allowance	48 000	96 000
Telephone Allowance	6 185	12 000
Performance Bonus	103 792	100 379
Pro-rata Bonus 2011/2012	54 491	
Contributions to UIF, Medical and Pension Funds	91 227	181 782
Total	1 078 822	1 367 570

Remuneration of the Municipal Manager - Ms L Waring - March 2012 - June 2012

Annual Remuneration	284 937	
Car Allowance	20 000	
Telephone Allowance	6 000	
Contributions to UIF, Medical and Pension Funds	51 788	
Total	362 725	-

Remuneration of the Director Technical Services - E Myalato

Annual Remuneration	557 156	700 695
Car Allowance	110 000	47 808
Performance Bonus (Pro-rata 2010/2011)	17 823	180 796
Settling in allowance	6 000	183 703
Telephone allowance	11 000	10 000
Housing allowance		3 467
Contributions - UIF, Medical, Pension	103 132	148 926
Total	805 111	1 275 394

Remuneration of the Electro-Technical Engineer - L Richardson

Annual Remuneration	382 248	342 753
Car Allowance	114 964	83 506
Car Allowance Backpay	-	94 994
Annual Bonus (13th cheque)	31 854	27 966
Telephone allowance	11 087	1 044
Contributions - UIF, Medical, Pension	124 426	114 498
Total	664 579	664 760

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28	EMPLOYEE RELATED COSTS (CONTINUED)	2012 R	2011 R
	Remuneration of the Director Technical Services - N Perring (Retired).		
	Performance Bonus (Pro-rata 2010/2011)	54 062	-
		54 062	-
	Remuneration of the Director Corporate Services - RK Smit		
	Annual Remuneration	769 517	697 483
	Backpay	44 029	-
	Car Allowance	41 000	96 000
	Telephone Allowance	12 444	12 444
	Performance Bonus	77 571	66 685
	Contributions - UIF, Medical, Pension	140 010	119 119
	Total	1 084 571	991 731
	Remuneration of the Director Financial Services - G Easton		
	Annual Remuneration	1 047 728	996 781
	Backpay	51 228	-
	Car Allowance	36 000	36 000
	Telephone Allowance	13 066	13 066
	Performance Bonus	90 254	87 286
	Contributions to UIF, Medical and Pension Funds	73 228	28 956
	Total	1 311 503	1 162 090
	Remuneration of the Director Strategy (2010/2011 Acting) - L Gwintsha		
	Annual Remuneration (Acting)	-	138 258
	Performance Bonus	-	41 678
	Total	-	179 936
	Remuneration of the Director Community Services - CG Botha		
	Annual Remuneration	597 281	594 027
	Acting allowance as Municipal Manager - July 2011	7 580	-
	Backpay	38 396	-
	Car Allowance	96 000	109 500
	Telephone Allowance	12 000	12 000
	Performance Bonus	67 647	36 346
	Contributions to UIF, Medical and Pension Funds	136 037	120 666
	Total	954 941	872 538
	Remuneration of Director Planning and Development - Ms L Waring - (July 2011 - February 2012)		
	Annual Remuneration	480 541	727 992
	Acting allowance as Municipal Manager (September 2011 - February 2012)	102 427	-
	Backpay	44 029	-
	Car Allowance	40 000	60 000
	Telephone allowance	8 296	12 444
	Performance Bonus	77 571	91 692
	Contributions - UIF, Medical, Pension	88 048	124 611
	Total	840 912	1 016 738
29	REMUNERATION OF COUNCILLORS	2012 R	2011 R
	Executive Mayor	630 735	588 886
	Executive Deputy Mayor	508 356	477 944
	Speaker	508 356	477 944
	Councillors	2 539 572	2 099 642
	Mayoral Committee	1 432 205	943 666
	Total Councillors' Remuneration	5 619 224	4 588 082

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Signed: Municipal Manager

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
30	DEBT IMPAIRMENT		
	Long Term Receivables - Note 18	(23 492)	(23 259)
	Investment in Entity - Note 17	539 311	1 514 393
	Unpaid grant written off - Note 25.13	98 688	-
	Receivables from exchange transactions - Note 20	21 846 226	12 632 170
	Less: Correction of error - Note 37.08		(832 490)
	Receivables from non-exchange transactions - Note 21	4 904 052	3 135 457
	Less : Contribution from Vat - Note 12	(2 193 729)	-
	Total Contribution to Impairment Provision	25 171 056	16 426 271
31	IMPAIRMENTS		
	Stock impaired	19 359	69 742
	Property, Plant & Equipment (Land and Buildings)	128 555 455	-
	Cash and Cash equivalents - Armed Robbery	-	53 963
		128 574 813	123 705
32	FINANCE CHARGES		
	Long-term liabilities (Restated 2010)	16 069 559	17 193 358
	Total finance charges	16 069 559	17 193 358
	Borrowing costs capitalised in terms of GRAP 5.	382 897	108 869
33	BULK PURCHASES		
	Electricity	107 621 419	85 585 757
	Refuse drums	26 000	32 420
	Total Bulk Purchases	107 647 419	85 618 177
34	GRANTS AND SUBSIDIES		
	Grants-in-aid and Donations	1 288 606	1 602 781
	Knysna Economic Development Agency	-	-
	Knysna Tourism	4 495 000	4 240 000
	Total Grants and Subsidies	5 783 606	5 842 781
35	OTHER OPERATING GRANT EXPENDITURE		
	NATIONAL GRANTS	2 207 953	2 173 412
	Local Government Finance Management Grant	1 151 457	905 286
	Municipal Infrastructure Grant	386 983	515 452
	Municipal System Improvements Grant	669 514	752 674
	PROVINCIAL GRANTS	51 307 111	35 995 567
	Community Development Worker	45 555	26 430
	Ward Based Projects	-	40 155
	Housing Consumer Education	19 184	51 765
	Integrated Housing & Human Settlements (Restated for 2011)	50 519 914	35 046 468
	Library Services	526 867	511 000
	Sport & Recreation	139 731	-
	Poverty Alleviation	35 797	282 017
	Management Support Grant: PMS	20 064	37 733
	DISTRICT GRANTS	-	90 000
	Bio Diversity	-	90 000
	GRANTS FROM OTHER ORGANISATIONS	49 278	161 369
	Danish Embassy: Danish Football Grant	49 278	-
	LGSETA: Learnerships	-	75 914
	UYF: Youth Advisory Centre	-	85 454
		53 564 343	38 420 347

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
GENERAL EXPENSES	16 456 587	14 646 148
Other Materials		
Electricity Charge (Direct from ESKOM)	1 128 340	1 025 376
Fuel, Oil & Vehicle Management	5 456 625	4 186 090
Materials & Stores	3 773 316	3 858 621
Consumables & Stationery	1 115 292	1 169 098
Protective Clothing	568 276	594 739
Environmental Protection	200 571	255 591
Chemical Supplies	4 214 166	3 556 633
Other Expenditure	40 996 686	38 467 852
Advertising and Media	1 743 840	1 302 480
Audit Fees	3 221 419	2 335 110
Bank Charges	1 235 509	1 006 346
Collection Costs	195 082	367 304
Consultants Fees	3 186 298	1 169 609
Contrib to Non Current Provisions	2 397 223	3 632 364
<i>Eradication of alien vegetation</i>	2 130 973	989 883
<i>Rehabilitation of tip sites</i>	266 250	2 642 481
Foreign Exchange Loss	311 055	-
General Expenses	2 236 344	2 650 930
Insurance	1 552 111	1 443 446
Levies, Subscriptions and Licences	4 513 720	4 063 021
Office Space Rental	3 703 602	3 541 561
Planning	864 439	875 336
Projects	7 763 181	8 209 307
<i>Community based Initiatives</i>	1 583 003	2 083 454
<i>Municipal contribution towards low cost housing</i>	3 017 515	2 349 155
<i>Operating projects</i>	2 486 503	2 521 296
<i>World Cup 2010</i>	-	818 375
<i>Removal of trees project</i>	676 160	437 026
Staff Related (recruitment, training, etc.)	1 758 835	1 179 667
Telecommunications and Postage	3 756 573	4 009 531
Travel, Entertainment and Functions	2 557 456	2 681 841
General Expenses	57 453 272	53 114 000
		2011 R
CORRECTION OF ERROR IN TERMS OF GRAP 3		
37.01 VAT		
Balance previously reported		603 589
VAT on impairment of Trade Receivables previously expensed now being recovered from the Output VAT Suspense Account- Opening balance adjustment - Refer to Note 37.07		2 362 480
VAT on impairment of Trade Receivables previously expensed now being recovered from the Output VAT Suspense Account- Prior year adjustment - Refer to Note 37.08		832 490
Total		3 798 559
37.02 Inventory		
Balance previously reported		2 223 246
Electricity Sub-store inventory not previously recognised - Note 19		2 070 786
Total		4 294 032
37.03 Current Employee Benefits		
Adjustment to staff leave incorrectly calculated on salaries and not to the cost to employer - Note 7		14 389 046
Balance previously reported		2 643 319
Adjustment to opening balance - Note 37.07		(1 499)
Adjustment for the prior year - Note 37.08		
Total		17 030 866

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2011 R
37	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	
37.04	Property, Plant and Equipment	
	Balance previously reported	878 587 450
	Finance lease assets disposed in 2011 not previously disposed - Cost - Note 13	(323 219)
	Finance lease assets disposed in 2011 not previously disposed - Accumulated depreciation - Note 13	323 213
	Top structure incorrectly recognised as Infrastructure WIP in 2011 - Cost - Note 13	(471 283)
		991 709
	Infrastructure WIP incorrectly recognised as repairs and maintenance in the previous year - Cost - Note 13	
	Infrastructure additions incorrectly recognised as other assets and incorrect unbundling- Cost - Note 13	-
	Infrastructure additions incorrectly recognised as other assets and incorrect unbundling - Accumulated depreciation - Note 13	(4 991)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Cost - Note 13	(25 240 440)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Accumulated depreciation - Note 13	(1 056 960)
	Recognition of unbundled infrastructure previously incorrectly disclosed as WIP - Cost - Note 13	-
	Recognition of unbundled infrastructure previously incorrectly disclosed as WIP - Accumulated depreciation - Note 13	(5 447)
	Correction of incorrect classification of properties as land and buildings and investment property - Cost - Note 13	(33 637 000)
	Correction of incorrect classification of properties as land and buildings and investment property - Accumulated impairment transferred to Cost - Note 13	(4 324 567)
	Correction of incorrect classification of properties as land and buildings and investment property - Accumulated depreciation transferred to Cost - Note 13	5 567
	Correction of 2011 reversal of land and buildings impairment loss - Accumulated impairment transferred to Cost - Note 13	-
	Correction if incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Accumulated depreciation opening balance - Note 13	(88 538 742)
	Correction if incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Accumulated depreciation 2011 additions - Note 13	(740 910)
	Correction of community assets incorrectly overstated - Cost opening balance - Note 13	(218 459)
	Correction of community assets incorrectly overstated - Cost additions - Note 13	(17 871)
	Correction of community assets incorrectly overstated - Accumulated depreciation opening balance - Note 13	215 298
	Correction of community assets incorrectly overstated - Accumulated depreciation additions - Note 13	989
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Accumulated depreciation opening balance - Note 13	192 862
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Accumulated depreciation additions 2011 - Note 13	59 694
	Total	725 796 892
37.05	Intangible assets	
	Balance previously reported	88 133
	Correction of Intangible assets no longer in use incorrectly not written off - Note 16 and 37.07	(12)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Note 16 and 37.07	796 177
	Correction of Intangible assets no longer in use incorrectly not written off - Loss on disposal of intangible assets	(3)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Depreciation and amortisation	(66 348)
	Total	817 947
37.06	Investment Properties	
	Balance previously reported	160 441 000
	Correction of incorrect classification of properties as land and buildings and investment property - Fair value - Note 15	33 345 000
	Correction of incorrect classification of properties as land and buildings and investment property - Fair value adjustments - Note 15	4 281 000
	Correction of 2011 revaluation - Fair value adjustments - Note 15	
	Total	198 067 000
37.07	Accumulated Surplus/(Deficit)	
	Balance previously reported	854 488 616
		(108 299 271)
	VAT on impairment of Trade Receivables previously expensed now being recovered from the Output VAT Suspense Account- Opening balance adjustment - Refer to Note 37.01	2 362 480
	Electricity Sub-store inventory not previously recognised - Note 19	1 229 179
	Adjustment to staff leave calculated on Cost to Employer - Note 7	(2 643 319)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Note 13	(26 717 735)
	Correction of housing scheme property incorrectly recognised as Investment property - Note 13	(292 000)
	Correction of 2011 reversal of land and buildings impairment loss - Accumulated impairment transferred to Cost - Note 13	2 719 000
	Correction of incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Accumulated depreciation opening balance - Note 13	(88 538 742)
	Correction of community assets incorrectly overstated - Note 13	(3 161)
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Note 13	192 862
	Correction of Intangible assets no longer in use incorrectly not written off - Note 16	(12)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Note 16	796 177
	Correction of 2011 Investment property revaluation - Fair value adjustments - Note 15	2 596 000
	Total	746 189 345

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	2011 R	
37.08	Statement of financial performance	-	
	Surplus previously reported	98 340 835 (3 511 537)	
	VAT on impairment of Trade Receivables previously expensed now being recovered from the Output VAT Suspense Account- Prior year adjustment - Debt Impairment - Refer to Note 37.01	832 490	
	Adjustment to staff leave calculated on Cost to Employer - Note 7	1 499	
	Finance lease assets disposed in 2011 not previously disposed - Gain on disposal of Property, plant and equipment	(6)	
	Electricity Sub-store inventory not previously recognised - Repairs and Maintenance - Note 19	841 607	
	Top structure incorrectly recognised as Infrastructure WIP in 2011 - Operating Grant Expenditure	(471 283)	
	Infrastructure WIP incorrectly recognised as repairs and maintenance in the previous year - Repairs and maintenance	991 709	
	Infrastructure additions incorrectly recognised as other assets and incorrect depreciation on unbundling - Depreciation and amortisation	(4 991)	
	Incorrect recognition and unbundling of vision 2002 infrastructure - Depreciation and amortisation	486 402	
	Incorrect recognition and unbundling of vision 2002 infrastructure	(66 067)	
	Recognition of unbundled infrastructure previously incorrectly disclosed as WIP - Depreciation	(5 447)	
	Correction of housing scheme property incorrectly recognised as Investment property - Gain on fair value adjustment of investment property	(38 000)	
	Correction of 2011 reversal of land and buildings impairment loss - Reversal of impairment loss of Property, plant and equipment	(2 719 000)	
	Correction of 2011 Investment property revaluation - Gain on fair value adjustments of Investment property	(2 596 000)	
	Correction if incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Depreciation and amortisation	(740 910)	
	Correction of community assets incorrectly overstated - Depreciation and amortisation	989	
	Correction of community assets incorrectly overstated - Reversal of impairment loss of Property, plant and equipment	(17 871)	
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Depreciation and amortisation	59 694	
	Correction of Intangible assets no longer in use incorrectly not written off - Loss on disposal of intangible assets	(3)	
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Depreciation and amortisation	(66 348)	
	Total	94 829 298	
38	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2012 R	
	Surplus/(Deficit) for the year	(154 313 015)	94 829 298
	<u>Adjustments for:</u>		
	Depreciation and amortisation	20 332 011	18 822 695
	Amortisation of Intangible Assets		
	Prior year adjustments affecting cashflow		
	(Gain)/Loss on disposal of property, plant and equipment	463 058	(1 002 782)
	Impairments	128 555 455	-
	Gain on Fair Value Adjustments of Investment Property	(32 013 000)	(15 704 000)
	Reversal of Impairment Losses of Property, Plant & Equipment	(5 182 388)	(33 437 394)
	Government Transfers - Contributed Assets	-	(823 000)
	Government Transfers recognised as revenue	(119 909 798)	(99 830 691)
	Government transfers received	118 015 709	101 385 314
	Unpaid grant written off		-
	Public Transfers - Contributed Assets	(300 000)	-
	Fair Value Adjustments on Investment Properties	94 634 000	-
	Refinancing cost		595 170
	Contribution/(reduction) from/to provisions - Non-Current	2 397 223	3 632 364
	Contribution from/to Non-current provisions - expenditure incurred	(603 362)	(899 398)
	Contribution from/to employee benefits - non-current	8 701 697	7 282 655
	Contribution from/to employee benefits - non-current - expenditure incurred	(2 454 588)	(1 932 670)
	Contribution from/to employee benefits - non-current - actuarial losses	5 061 702	6 054 852
	Contribution from/to employee benefits - non-current - actuarial gains	(127 207)	-
	Contribution to employee benefits - current	2 266 083	2 972 021
	Contribution to employee benefits - current - expenditure incurred	(4 354 840)	(2 171 751)
	Contribution to provisions - current	-	-
	Contribution to provisions - current - expenditure incurred	-	-
	Contribution to provisions - bad debt	25 171 056	16 426 271
	Fair Value Adjustments		
	Unamortised discount	(604 438)	(680 699)
	Bad debts written off	(3 515 315)	(7 329 989)
	Operating lease income accrued	(34 135)	(230 106)
	Operating lease expenses accrued	(60 940)	165 452
	Investment income	(6 667 005)	(5 914 526)
	Interest expense	16 069 559	17 193 358
	Operating Surplus/(Deficit) before changes in working capital	91 527 522	99 402 444

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
38 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS (CONTINUED)		
Changes in working capital	(12 552 789)	1 773 035
Increase/(Decrease) in Trade and Other Payables	9 949 519	10 534 698
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts (Restated 2011)	-	-
Increase/(Decrease) in Unspent Public Contributions	(4 500)	4 500
Increase/(Decrease) in Taxes	4 438 862	4 856 639
(Increase)/Decrease in Inventory	(3 670 527)	(1 380 248)
(Increase)/Decrease in Trade Receivables from exchange transactions	(12 185 786)	(9 579 725)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(11 080 357)	(2 662 829)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts (Restated 2011)	-	-
Cash generated/(absorbed) by operations	78 974 733	101 175 479
39 CASH AND CASH EQUIVALENTS	2012 R	2011 R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 23	30 341 591	31 077 680
Cash Floats - Note 23	12 270	12 270
Bank - Note 23	25 148 942	26 218 630
Bank overdraft - Note 23	-	-
Total cash and cash equivalents	55 502 803	57 308 580
40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	2012 R	2011 R
Cash and Cash Equivalents - Note 39	55 502 803	57 308 580
Investments - Note 17	16 880 786	14 983 551
	72 383 589	72 292 130
Less:	45 896 270	51 755 559
Unspent Committed Conditional Grants - Note 10	2 137 005	5 633 600
Unspent Conditional Public Contributions - Note 11	-	4 500
Unspent Borrowings - Note 41	17 242 505	21 699 847
Cash Portion of Housing Development Fund - Note 2	1 831 038	2 057 688
Secured Investments - Notes 3 and 17	24 685 722	22 359 924
Net cash resources available for internal distribution	26 487 319	20 536 572
Allocated to:		
Capital Replacement Reserve - Note 2	(4 692 214)	(5 199 523)
Employee Benefits Reserve - Note 2	(6 153 045)	(5 242 645)
Non-Current Provisions Reserve - Note 2	(6 483 399)	(4 656 176)
Valuation Roll Reserve - Note 2	(412 000)	-
Resources available (shortfall) for working capital requirements	8 746 661	5 438 227
41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2012 R	2011 R
Long-term Liabilities - Note 3	164 667 412	173 542 503
Used to finance property, plant and equipment - at cost	(147 424 907)	(151 842 655)
	17 242 505	21 699 848
Cash set aside for the unspent portion of long-term liabilities - Note 40	(17 242 505)	(21 699 848)
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 8,65% and 17% and will be repaid by 2030		

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42 BUDGET COMPARISONS

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
42.1 Operational				
Revenue by source				
Property Rates	125 364 197	125 631 000	(266 803)	(0%)
Government Grants and Subsidies - Capital	30 678 919	32 889 000	(2 210 081)	(7%)
Government Grants and Subsidies - Operating	89 230 879	93 471 000	(4 240 121)	(5%)
Government Transfers - Contributed Assets	-	-	-	0%
Augmentation Fees	808 126	1 038 000	(229 874)	(22%)
Public Contributions and Donations	776 640	477 000	299 640	63%
Foreign Exchange Gain	-	-	-	0%
Third Party Payments	1 140 545	-	1 140 545	100%
Fines	7 677 243	3 162 000	4 515 243	143%
Stock Adjustments	116 508	23 000	93 508	407%
Actuarial Gains	127 207	589 000	(461 793)	(78%)
Reversal of Impairment Losses	32 013 000	-	32 013 000	100%
Other non-exchange revenue	1 024 179	808 000	216 179	27%
Property Rates - penalties imposed and collection charges	2 356 484	1 772 000	584 484	33%
Service Charges	226 548 838	225 680 000	868 838	0%
Rental of Facilities and Equipment	3 500 055	4 853 000	(1 352 945)	(28%)
Interest Earned - external investments	6 667 005	6 786 000	(118 995)	(2%)
Interest Earned - outstanding debtors	4 550 920	3 683 000	867 920	24%
Licences and Permits	1 843 007	1 787 000	56 007	3%
Agency Services	1 773 945	1 698 000	75 945	4%
Other Income	1 524 171	1 318 000	206 171	16%
Gain on disposal of PPE / Investment Property	43 027	166 000	(122 973)	(74%)
Reversal of Impairment Losses of Property, Plant & Equipment	5 182 388	-	5 182 388	100%
Unamortised discount - Interest	612 740	719 000	(106 260)	(15%)
	<u>543 560 023</u>	<u>506 550 000</u>	<u>37 010 023</u>	<u>7%</u>
Expenditure by nature				
Employee related costs	(139 414 290)	(139 299 560)	(114 730)	0%
Remuneration of Councillors	(5 619 224)	(5 778 610)	159 386	(3%)
Debt Impairment	(25 171 056)	(13 430 040)	(11 741 016)	87%
Collection Cost	(388 739)	(346 480)	(42 259)	12%
Depreciation and Amortisation	(20 332 011)	(21 890 000)	1 557 989	(7%)
Impairments	(128 574 813)	(163 450)	(128 411 363)	78563%
Repairs and Maintenance	(22 025 163)	(27 114 890)	5 089 727	(19%)
Actuarial losses	(5 061 702)	(1 000 000)	(4 061 702)	406%
Finance Charges	(16 069 559)	(16 032 630)	(36 929)	0%
Unamortised discount - Interest	(8 302)	(10 640)	2 338	(22%)
Bulk Purchases	(107 647 419)	(101 146 030)	(6 501 389)	6%
Contracted services	(15 619 958)	(13 415 400)	(2 204 558)	16%
Grants and Subsidies Paid	(5 783 606)	(5 871 300)	87 694	(1%)
Stock Adjustments	-	-	-	0%
Other Operating Grant Expenditure	(53 564 343)	(56 625 000)	3 060 657	(5%)
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties	(94 634 000)	-	(94 634 000)	100%
Loss on disposal of PPE / Investment Property	(505 581)	-	(505 581)	100%
General Expenses	(57 453 272)	(65 109 970)	7 656 698	(12%)
	<u>(697 873 038)</u>	<u>(467 234 000)</u>	<u>(230 639 038)</u>	<u>49%</u>
Net Surplus for the year	(154 313 015)	39 316 000	(193 629 015)	(492%)

Details of material variances**Revenue by source**

Explanations of variances on Revenue by Source are only provided where the variance is less than R 1 million against the budget and the variance percentage is greater than 10% or where the variance is greater than R 4 million and the variance percentage is greater than 10%.

Rental of Facilities and Equipment: (R 1 352 945)	(28%)	-	The most significant under recovery of revenue was realised on rental of land and buildings (R1,3 million).
Fines: R 4 515 243	143%	-	The municipality signed an agreement with an external service provider to implement traffic calming measures by means of traffic cameras.
Reversal of Impairment Losses: R 32 013 000 and Reversal of Impairment Losses of Property, Plant & Equipment R 5 182 388	100%	-	Revaluation of municipal land and buildings (held as investment property and used in property, plant and equipment) in line with changes in market conditions resulted in the municipality recognising increases in the values of some properties. No budget provision was made for the impact of fair value adjustments.

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42 BUDGET COMPARISONS (CONTINUED)

Expenditure by type

Explanations of variances on Expenditure by Type are only provided where the value is R 4 million more or less than the budget AND the variance percentage is greater than 10%.

Debt Impairment: (R 11 741 016)	87%	-	The main variance on Debt Impairments relates to the impairment of Consumer Debtors (R 11,9 million). The budget was formulated to reflect the difference in the projected revenue and the cash to be realised from these billings. Due to the continued effects of current economic conditions, the municipality has taken a more stringent approach to assessing and providing for possible bad debt.
Impairments: (R 128 411 363)	78563%	-	Revaluation of municipal land and buildings (held as investment property and used in property, plant and equipment) in line with changes in market conditions resulted in the municipality recognising decreases in the values of some properties. No budget provision was made for the impact of fair value adjustments.
Repairs and Maintenance: R 5 089 727	(19%)	-	The most significant under-expenditures or savings were realised on electricity infrastructure (R1,8 million); streets general repairs, regravelling and resealing (R1,5 million) and vehicles (R0,7 million).
Actuarial losses: (R 4 061 702)	406%	-	Movements in the liabilities for non-current employee benefits, which includes post-employment health care benefits, long service awards and ex-gratia pensions, result from increases or decreases in the liability over the period from the previous valuation date to the current valuation date. For the current period unexpected decreases (termed actuarial losses) occurred due to the following factors: decrease in the net discount rate; contributions, pension increases and salary increase higher than assumed; actual benefit payments higher than expected; and changes in the membership profile.
General Expenses: R 7 656 698	(12%)	-	The most significant under-expenditures or savings were realised on hire charges of office equipment (R1,5 million); licence fees on computer software (R1,1 million); council contribution to housing top structures (R1,5 million); valuation expenses (R2,7 million)

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
42.2 Expenditure by Vote				
Exec & Council	256 864 601	29 987 240	226 877 361	757%
Corporate	11 169 750	13 518 180	(2 348 430)	(17%)
Finance	9 210 191	14 577 190	(5 366 999)	(37%)
Strategy	(0)	-	(0)	100%
Planning	68 187 943	74 419 600	(6 231 657)	(8%)
Community	88 469 187	80 801 970	7 667 217	9%
Electricity	148 889 803	146 070 580	2 819 223	2%
Technical	115 081 562	107 859 240	7 222 322	7%
	697 873 038	467 234 000	230 639 038	49%

Details of material variances

Explanations of variances by Vote are only provided where a vote is over spent or where the variance value is R 1 million less than budget and the variance percentage is greater than 10%.

Exec & Council: R 226 877 361	757%	-	The full amounts for Actuarial Losses (R4 million) and Fair Value Adjustments resulting in Impairments (R223 million) was expensed against Executive and Council for the period.
Corporate: (R 2 348 430)	(17%)	-	General expenses are underspent or realised a saving (R1,4 million), whilst the grant from EDEN for the the Intern Program (R0,5 million) was never realised so all expenditure was incurred against employee benefits.
Finance: (R 5 366 999)	(37%)	-	The main categories of savings and/or under-expenditure was for general expenses (R4 million) with variances on budget for the following items: hire charges of office equipment (R0,3 million), computer licences (R1,4 million), valuation expenses (R2,5 million); and a savings on outsourced services (R0,4 million).
Planning: (R 6 231 657)	(8%)	-	The main categories of savings and/or under-expenditure were depreciation (R1,8 million), council contribution towards top structures on housing projects (R2 million) and operating grant expenditure on housing projects (R2,3 million). It should be noted however that the Informal Housing and Human Settlements amounts received from Provincial Government were fully utilised during the financial year.
Community: R 7 667 217	9%	-	The main categories of over-expenditure against budget were for impairment of debtors (R4,5 million), contributions to provisions for eradication of alien vegetation (R1,6 million) and for commissions paid to the service provider for implementation of the traffic cameras (R1,3 million).
Electricity: R 2 819 223	2%	-	Over expenditure on bulk purchases (R6,6 million) and outsourced services for management of the prepaid metering system (R1,2 million) were offset by savings on impairment of consumer debtors (R2,6 million) and repairs and maintenance (R2,7 million).
Technical: R 7 222 322	7%	-	Over expenditure on impairment of consumer debtors (R9,6 million) was offset by savings on repairs and maintenance (R2,4 million).

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42 BUDGET COMPARISONS (CONTINUED)

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
42.3 Capital expenditure by vote				
Executive & Council	1 066 903	2 565 000	(1 498 097)	(58%)
Corporate	240 013	255 000	(14 987)	(6%)
Finance	2 801 401	5 990 000	(3 188 599)	(53%)
Planning	14 644 047	14 352 000	292 047	2%
Community	2 599 151	5 676 000	(3 076 849)	(54%)
Electricity	13 110 395	19 942 100	(6 831 705)	(34%)
Technical	25 855 935	36 639 900	(10 783 965)	(29%)
	60 317 845	85 420 000	(25 102 155)	(29%)

Details of material variances

Executive & Council: (R 1 498 097)	(58%)	-	An under expenditure of R1,3 million occurred on the ward based projects. However R 727 000 of this was identified as roll over projects and reappropriated in the budget approved for 2012/2013 and R 275 221 of projects were deemed to be operating of nature and recognised in the statement of financial performance for 2011/2012.
Finance: (R 3 188 599)	(53%)		The main under expenditure is as a result of project delays and complexities on the upgrade to the main municipal stores in the industrial area (R2,4 million). A roll over amount of R 2,2 million was appropriated in the approval of the 2012/2013 budget with regard to this project.
Planning: R 292 047	2%		The over expenditure relates to electricity connections to completed housing units built as part of the Informal Housing and Human Settlements program.
Community: (R 3 076 849)	(54%)		The main under expenditure is for the upgrade to the main library in Knysna town central (R2,6 million). This is a MIG funded project and is now scheduled for commencement in 2012/2013.
Electricity: (R 6 825 972)	(34%)		The main under expenditure is related to the Incomer Transformer for Sedgefield (R2,7 million) and for continued asset replacement and refurbishments (R3,8 million) funded from the capital replacement reserve. A roll over amount of R6,5 was appropriated in the approval of the 2012/2013 budget with regard to these projects.
Technical: (R 10 783 965)	(29%)		The main under expenditure is for the belt press required as part of the upgrade to the sewerage works in Knysna (R8,2 million) which was approved in the February 2012 adjustment budget. A roll over of R6 million was appropriated in the approval of the 2012/2013 budget, the balance of the unspent amount will be appropriated in the adjustment budget of February 2013.

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

	2012 R	2011 R
43.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	7 157 205	-
Unauthorised expenditure current year - capital	292 047	4 344 336
Unauthorised expenditure current year - operating	244 586 124	2 812 869
Unauthorised expenditure awaiting authorisation	252 035 376	7 157 205

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget per Vote - See Note 42	None

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	325 859	18 759
Fruitless and wasteful expenditure current year	194 361	307 100
Fruitless expenditure recovered	(206 196)	-
Fruitless and wasteful expenditure awaiting condonement	314 024	325 859

Incident	Disciplinary steps/criminal proceedings
Fraudulent cheque no. 89485 dated 26/02/2010 banked at FNB Galleria and cleared by Nedbank on 09/03/2010. Replacement reissued to settle creditors account. Reported to Knysna SAP Case No. 658/4/2010 - R18 759	None
Cancellation of international air tickets to Denmark - R16 518 - 2010/2011	None
Penalty interest on lost cheque between banks - R275 - 2010/2011	None
Penalty interest on two payments to SARS: One for a late payment and the other for a late payment due to cheque being lost in the post - R110 807 - 2010/2011	None
Pipeline damaged by developer and the municipality repaired it without claiming damages - R36 816 - 2010/2011	None
Penalty interest on payments not made to the Compensation Commissioner for Occupational Injuries and Diseases since no assessments had been received since 2006 - R142 683 - 2010/2011	None
Penalty interest on late payment of creditor accounts - R 2 486 - 2011/2012	None
Penalty interest on late payment of external loan repayment - R 3 577 - 2011/2012	None
Penalty interest paid to SARS in respect of prior periods PAYE submissions - R 188 298 - 2011/2012	None
Recoveries	
The recovery made in 2011/2012 is in respect of SARS late payments where SARS had refunded the interest paid.	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

43	UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE DISALLOWED (CONT)	2012 R	2011 R
43.3	<u>Irregular expenditure</u>		
	None.		
43.4	<u>Material Losses</u>		
	Electricity distribution losses		
	Units purchased (Mwh)	187 162	190 754
	- Units lost during distribution (Mwh)	16 315	13 105
	- Percentage lost during distribution	8.72%	6.87%
	Water distribution losses		
	- Mega litres purified	4 080	3 869
	- Mega litres lost during distribution	588	702
	- Percentage lost during distribution	14.41%	18.15%
44	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	2011 R
44.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	957 696	568 763
	Amount paid - current year	(957 696)	(568 763)
	Balance unpaid (included in creditors)	-	-
44.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year audit fee	3 221 419	2 335 110
	External Audit - Auditor-General	2 042 485	2 038 921
	Internal Audit	1 026 294	143 549
	Audit Committee	152 640	152 640
	Amount paid - current year	(3 221 419)	(2 335 110)
	Balance unpaid (included in creditors)	-	-
44.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	4 331 275	11 004 278
	Amounts received - previous year	(3 223 218)	(8 293 625)
	Amounts received - current year	(38 928 299)	(31 385 931)
	Amounts claimed - current year	38 179 746	29 849 741
	Amount paid - current year	3 593 621	3 593 621
	Corrections	(22 191)	(436 809)
	Closing balance	337 313	4 331 275
	Vat inputs receivables and Vat outputs payables are shown in Note 12 All VAT returns have been submitted by the due date throughout the year.		
	Vat in suspense due to cash basis of treatment (Restated 2010/2011)	1 216 113	(516 882)
44.4	<u>PAYE and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	(6 295)	(11 197)
	Current year payroll deductions and Council Contributions	(15 599 597)	(13 814 929)
	Amount paid - current year	15 600 079	13 819 831
	Balance unpaid (included in creditors)	(5 812)	(6 295)
44.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	(31 441 978)	(30 052 626)
	Amount paid - current year	31 441 978	30 052 626
	Balance unpaid (included in creditors)	-	-
44.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June:		
		2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
	Dyantyi M	-	4 316
	Lizwani M	3 710	4 767
	Gombo E	5 592	1 394
	Van Aswegen EO	4 070	10 532
	Williams M	-	29
	Total Councillor Arrear Consumer Accounts	13 372	21 038

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)

2012

R

2011

R

44.7

The following Councillors had arrear accounts outstanding for more than 90 days during the year.

Currently in office	Highest amount outstanding	Ageing	Month
Lizwani M	3 710	>150 days	Jun 2012
Van Aswegen EO	5 592	>150 days	Jun 2012
Gombo E	4 070	>150 days	Jun 2012
Williams M	-		

44.8

Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory	80 976	520 596	352 854	
Executive & Council	7 000	432 147	-	
Corporate Services	27 462	552 094	678 202	
Community Services	58 705	434 193	-	
Financial Services	-	214 754	-	
Technical Services	-	3 126 997	2 140 460	
Electrical Services	144 372	1 448 150	255 000	
Planning & Development	82 278	630 621	-	
Strategic Services	-	-	-	
	400 793	7 359 552	3 426 516	-

The major deviations were as follows:

Awarded to	Reason/Explanation	Amount
Aurecon SA Pty (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines- Further investigations into potential water schemes	1 463 773
SSI Engineers Pty Ltd (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines - Continue work on Desalination plant & updating of water & sewerage master plan originally done by them	998 637
Clinkscales Maugh-Brown (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines	885 809
University of Stellenbosch	Sole supplier only public higher education in the Western Cape	678 202
Southern Oceanering CC	Insurance claim re the desalination plant	571 330
Parsons & Associates	Urgent as result of the failure of the desalination plant to restore water supply	473 196
Much Asphalt Pty Ltd	Sole supplier of Bitumen products in the Southern Cape	407 591
Neptune Plant Hire	Hire of generators as result of Eskom power outage - urgent	358 771
MDL Electrical	Urgent as result of open trenches to prevent cable theft	352 854
	TOTAL	6 190 163

45

CAPITAL COMMITMENTS

2012

R

2011

R

Commitments in respect of capital expenditure:

Approved and contracted for:

Land and Buildings	10 335	
Infrastructure	8 094 088	11 080 208
Community	8 242 425	510 121
Total	16 346 848	11 590 329

This expenditure will be financed from:

External Loans	1 900 476	3 125 095
Capital Replacement Reserve	146 091	
Government Grants	14 049 207	8 465 234
Own Resources	251 075	-
	16 346 848	11 590 329

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46 RETIREMENT BENEFIT INFORMATION

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan. All the required disclosure have been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there was a shortfall in the investment return for the 30 June 2011 financial year.

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pensions being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

47 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2012 R	2011 R
1% (2011 - 0.5%) Increase in interest rates	(1 268 713)	(1 235 094)
0.5% (2011 - 0.5%) Decrease in interest rates	634 356	617 547

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Electricity	7.59%	4 540 633	5.41%	1 980 302
Water	31.10%	18 602 766	32.89%	12 033 697
Housing Rentals	3.82%	2 282 115	4.38%	1 602 970
Refuse	20.27%	12 125 287	13.82%	5 057 588
Sewerage	14.39%	8 610 682	12.69%	4 640 752
Other Consumer Arrears	0.10%	58 315	6.44%	2 356 027
Rates	22.73%	13 599 409	24.36%	8 912 908
	100.00%	59 819 208	100.00%	36 584 244

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

Fixed Deposit Investments	16 880 786	14 983 551
Long Term Receivables	835 103	530 207
Receivables from exchange transactions	36 699 619	43 062 296
Short Term Investment Deposits	30 341 591	31 077 680
Bank and Cash Balances	25 161 212	26 230 900
	109 918 310	115 884 633

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47

FINANCIAL RISK MANAGEMENT (CONTINUED)

2012
R2011
R

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	32 192 986	100 284 138	86 718 294	55 120 012
Capital repayments	16 390 171	54 004 124	52 691 065	40 713 454
Loans	15 506 163	53 319 557	52 691 065	40 713 454
Finance Leases	884 009	684 568		
Interest	15 802 815	46 280 013	34 027 228	14 406 557
Loans	15 673 486	46 235 291	34 027 228	14 406 557
Finance Leases	129 329	44 722		
Trade and Other Payables	41 957 371	-	-	-
Provisions	3 724 966	7 514 910		
Unspent conditional government grants and receipts	2 137 005	-	-	-
	<u>80 012 328</u>	<u>107 799 047</u>	<u>86 718 294</u>	<u>55 120 012</u>
2011				
Long Term liabilities	34 401 483	110 243 779	86 604 415	65 758 253
Capital repayments	17 180 613	59 354 077	50 317 386	46 690 428
Loans	15 189 735	57 135 917	50 317 386	46 690 428
Finance Leases	1 990 878	2 218 160	-	-
Interest	17 220 870	50 889 701	36 287 029	19 067 825
Loans	16 933 571	50 612 888	36 287 029	19 067 825
Finance Leases	287 300	276 814		
Trade and Other Payables	32 158 313	-	-	-
Provisions	3 458 716	5 987 299		
Unspent conditional government grants and receipts	5 633 600	-	-	-
Unspent Public Contributions	4 500	-	-	-
	<u>75 656 612</u>	<u>116 231 078</u>	<u>86 604 415</u>	<u>65 758 253</u>

48

FINANCIAL INSTRUMENTS

2012
R2011
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

48.1 Financial Assets

Classification

Investments

Fixed Deposits	Financial instruments at amortised cost	16 880 786	14 983 551
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Financial instruments at cost

Non-Current Investments

- Municipal Entity - Knysna Economic Dev Agency	Financial instruments at cost	1	1
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Long-term Receivables

Land Sales	Financial instruments at amortised cost	194 920	194 920
Staff loans	Financial instruments at amortised cost	9 219	11 226
Old age homes	Financial instruments at amortised cost	224 337	259 560
Sundry deposits	Financial instruments at amortised cost	7 416	6 800
Eastford Downs Public Contributions	Financial instruments at amortised cost	35 088	-
Eastford Ridge Public Contributions	Financial instruments at amortised cost	162 281	-

Current Receivables

Service Debtors	Financial instruments at amortised cost	31 331 647	40 378 691
Rentals	Financial instruments at amortised cost	296 558	351 079
Other Debtors	Financial instruments at amortised cost	5 071 415	2 332 526

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

48	FINANCIAL INSTRUMENTS (CONTINUED)		2012 R	2011 R
48.2	Financial Assets	Classification		
	Other Receivables			
	Sundry Debtors	Financial instruments at amortised cost	8 292 128	1 023 841
	Government Subsidies and Grants	Financial instruments at amortised cost	1 870 171	3 571 365
	Current Portion of Long-term Receivables			
	Staff loans	Financial instruments at amortised cost	2 776	4 799
	Old age homes	Financial instruments at amortised cost	58 715	58 132
	Eastford Downs Public Contributions	Financial instruments at amortised cost	140 351	-
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	30 341 591	31 077 680
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	25 148 942	26 218 630
	Cash Floats and Advances	Financial instruments at amortised cost	12 270	12 270
			120 080 611	120 485 071

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost

Non-Current Investments	Fixed deposits	16 880 786	14 983 551
Non-Current Investments	Municipal Entity - Knysna Economic Dev Agency	1	1
Long-term Receivables	Staff loans	9 219	11 226
Long-term Receivables	Old Age Homes	224 337	259 560
Long-term Receivables	Sundry deposits	7 416	6 800
Long-term Receivables	Land sales	194 920	194 920
Long-term Receivables	Public Infrastructure Contribution	35 088	-
Long-term Receivables	Public Infrastructure Contribution	162 281	-
Current Receivables	Services	31 331 647	40 378 691
Current Receivables	Rentals	296 558	351 079
Current Receivables	Other	5 071 415	2 332 526
Other Receivables	Sundry debtors	8 292 128	1 023 841
Other Receivables	Government subsidies and grants	1 870 171	3 571 365
Current Portion of Long-term Receivables	Staff car loans	2 776	4 799
Current Portion of Long-term Receivables	Old Age Homes	58 715	58 132
Current Portion of Long-term Receivables	Public Infrastructure Contribution	140 351	-
Short-term Investment Deposits	Call deposits	30 341 591	31 077 680
Bank Balances	Bank Balances	25 148 942	26 218 630
Cash Floats and Advances	Cash Floats and Advances	12 270	12 270
Total Financial Assets		120 080 611	120 485 071

48.3 Financial Liability

Classification

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

Long-term Liabilities

Non-current Loans	At amortised cost	148 421 137	157 973 589
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Payables

Trade payables	At amortised cost	46 783 095	36 833 575
Unspent Conditional Government Grants and Receipts	At amortised cost	2 137 005	5 633 600

Current Portion of Long-term Liabilities

Short-term portion of Non-current loans	At amortised cost	17 258 767	17 180 613
		214 600 003	217 621 377

49 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date for the financial year ended 2011/2012.

50 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

Organisation	Contribution towards:	2012 R	2011 R
General public	Rheenendal Bus tragedy	2 530	-
General public	Mayoral Golf day	107 400	140 578
General public	Millwood Museum	3 450	2 576
General public	Various mayoral initiatives, including Women's Day	2 210	-
Nedbank Corporate	SMME Business Incubator		150 000
		115 590	293 154

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITY

Claims against Council

2012
R

2011
R

6 314 504

6 558 504

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Alleged transfer of property to the wrong person (CK2434, ref 13/R)

Unknown

Alleged wrongful impounding of trading goods and demolition of trading structure; claim for R 179 000 plus interest and costs (C01680, ref 14/1/1/13R)

179 000

Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118). The plaintiff's former attorneys formally withdrew from acting on his behalf. Muller Terblance and Beyers Inc of Worcester advised the Municipality that they have been appointed and will be serving an appropriate notice to this effect shortly.

6 314 504

6 314 504

Possible cost order - Knysna Caring Services T/A Loeie Old Age Home.

65 000

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is an approximate 2% increase in remuneration as from October 2009.

6 314 504

6 558 504

53 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

53.1 Related Party Transactions

	Rates Levied 1 July to 30 June:	Service Charges Levied 1 July to 30 June:	Other Charges Levied 1 July to 30 June:	Outstanding Balances at end of year:
Year ended 30 June 2012				
Councillors	35 045	104 820	2 493	23 408
Municipal Manager and Section 57 Personnel	18 215	49 696	13 928	
Year ended 30 June 2011				
Councillors before 18 May 2011	46 068	84 709	737	7 058
Councillors effective from 18 May 2011	19 593	33 088	5 218	7 933
Municipal Manager and Section 57 Personnel	21 535	68 348	29 550	2 553

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

53.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 18 to the Annual Financial Statements.

53.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

53.4 Other related party transactions

The following purchases were made during the year where Councillors or Management have an interest:

Councillor/Staff Member	Entity:	2012 R	2011 R
Mr. R. Bouwer (Stores Clerk)	J.C.O Terblanche	366 160	359 657
Mr. R. Bouwer (Stores Clerk)	JC Terblance t/a P&H Services	326 535	153 230
Mr. P. Claasen (Stores Officer)	G & C Suppliers	-	
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Head to Head	-	11 214
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Trading cc CK. No.		
	Global Wave	-	166 457
Mr. W Litoli (Councillor)	Internet Marketing		
Ms. L. Grobler (Customer care admin assistant)	Q&E Carpet Cleaners Knysna	78 318	4 110
Ms. M. McDonald (Principal Technical Electrical)	Q&E Carpet Cleaners Knysna	9 524	341 197
Ms. N Misana (Procurement Clerk)	Jam Electrical	277 838	2 850
M. S. Pretorius	Zwelidumile Misana	9 700	
Mr. B Stuurman (Procurement Clerk)	Mostly Photography	4 750	
	Claud's Construction	30 585	
		1 103 410	1 038 714

53.5 Investment in Municipal Entity

The Municipality has a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency, as set out in note 17 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year. The municipality resolved in June 2012 that the Municipal Manager must take all steps to discontinue the Entity.

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011	Recapitalisation	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LOCAL REGISTERED STOCK										
Tswane City Council	16.35%	2 322 482	31/12/2013	2 322 483	-	2 322 483	-	-	-	2 322 483
Tswane City Council	16.45%	710 520	31/12/2018	710 520	-	710 520	-	-	-	710 520
Total Long-term Loans		3 033 002		3 033 003	-	3 033 003		-	-	3 033 003
ANNUITY LOANS										
ABSA	11.98%	15 000 000	30/06/2028	14 441 493	-	14 441 493	-	-	308 209	14 133 284
ABSA	10.65%	7 010 000	01/10/2028	6 710 188	-	6 710 188	-	-	143 138	6 567 050
ABSA	11.24%	7 000 000	30/09/2028	6 829 382	-	6 829 382	-	-	137 428	6 691 953
ABSA	10.04%	19 579 000	30/06/2029	18 901 606	-	18 901 606	-	-	402 015	18 499 591
DBSA	11.60%	11 339 800	30/06/2021	5 968 316	-	5 968 316	-	-	596 832	5 371 484
DBSA	11.97%	5 077 667	30/06/2022	2 939 702	-	2 939 702	-	-	267 246	2 672 456
DBSA	11.97%	1 194 900	30/06/2012	132 767	-	132 767	-	-	132 767	-
DBSA	12.05%	6 898 760	30/06/2023	4 357 111	-	4 357 111	-	-	363 093	3 994 019
DBSA	12.05%	1 965 640	30/06/2013	436 809	-	436 809	-	-	218 404	218 404
DBSA	11.60%	8 594 807	30/06/2024	5 880 658	-	5 880 658	-	-	452 358	5 428 299
DBSA	11.60%	1 911 374	30/06/2019	1 092 213	-	1 092 213	-	-	136 527	955 687
DBSA	11.60%	1 452 650	30/06/2014	484 217	-	484 217	-	-	161 406	322 811
DBSA	10.70%	9 380 257	31/12/2025	7 158 617	-	7 158 617	-	-	493 698	6 664 919
DBSA	10.70%	1 500 330	31/12/2020	1 018 081	-	1 018 081	-	-	107 166	910 915
DBSA	10.70%	1 979 824	31/12/2015	1 000 155	-	1 000 155	-	-	222 257	777 899
DBSA	10.70%	2 024 531	31/12/2010	-	-	-	-	-	-	-
DBSA	13.75%	34 437 967	30/06/2015	18 486 578	-	18 486 578	-	-	3 738 506	14 748 072
DBSA	11.25%	5 386 431	30/06/2026	5 038 920	-	5 038 920	-	-	335 928	4 702 992
DBSA	11.29%	1 741 830	30/06/2021	1 221 294	-	1 221 294	-	-	122 129	1 099 165
DBSA	11.25%	2 393 924	30/06/2016	1 208 407	-	1 208 407	-	-	241 681	966 725
DBSA	8.65%	8 000 000	29/06/2021	8 000 000	-	8 000 000	-	-	800 000	7 200 000
DBSA		8 245 000	29/06/2022	-	-	-	-	8 245 000	139 483	8 105 517
Eden District Municipality	0.00%	504 000	30/06/2013	75 600	-	75 600	-	-	25 200	50 400
INCA	10.77%	2 561 506	23/06/2011	-0	-	(0)	-	-	-	-0
INCA	10.81%	18 607 000	15/02/2027	17 267 004	-	17 267 004	-	-	443 859	16 823 145
INCA	10.87%	8 390 000	31/12/2012	3 014 578	-	3 014 578	-	-	1 956 538	1 058 041
INCA - Transferred to Standard Bank	11.25%	2 600 000	23/05/2018	2 166 453	-	2 166 453	-	-	223 261	1 943 191
INCA - Transferred to Standard Bank	11.24%	5 884 000	20/03/2019	5 274 914	-	5 274 914	-	-	443 030	4 831 884
INCA - Transferred to Standard Bank	10.72%	5 106 000	20/03/2014	3 437 687	-	3 437 687	-	-	1 039 232	2 398 455
Nedbank	10.08%	14 960 000	17/06/2020	14 057 637	-	14 057 637	-	-	1 055 674	13 001 963
Standard Bank	10.26%	10 000 000	30/09/2020	9 700 076	-	9 700 076	-	-	641 159	9 058 917
Total Annuity Loans		230 727 196		166 300 462	-	166 300 462	-	8 245 000	15 348 224	159 197 237
LEASE LIABILITY										
Finance Leases				4 209 038	-	4 209 038	-	9 088	1 780 955	2 437 172
Total Lease Liabilities				4 209 038	-	4 209 038	-	9 088	1 780 955	2 437 172
TOTAL EXTERNAL LOANS				173 542 503	-	173 542 503	-	8 254 088	17 129 179	164 667 412

APPENDIX B - Unaudited
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error	balance 01-Jul-10	Contributions during the year	Interest on Investments	Other Impairment	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R	R
Dist Grant - Knysna Survey Project	(150 000)	-	(150 000)	-			-	-	(150 000)
Nat Grant - DWAF: Masibambane	(314 761)		(314 761)	-			-	-	(314 761)
Nat Grant - Equitable Share	-		-	(26 687 000)			26 687 000	-	-
Nat Grant - Integrated Electrification Program	-		-	(4 300 000)			551 987	3 942 762	194 748
Nat Grant - Local Government Finance Management Grant	30 609		30 609	(1 250 000)			1 219 391	-	-
Nat Grant - Neighbourhood Development Partnership Grant(NDPG)	(3 601 236)		(3 601 236)	(4 120 000)			-	7 764 120	42 884
Nat Grant - Municipal Infrastructure Grant	2 943 570		2 943 570	(19 933 000)			2 372 207	15 405 299	788 076
Nat Grant - Municipal System Improvements Grant	67 973		67 973	(790 000)			722 027	-	-
Prov Grant - Community Development Worker (Operat)	-		-	(78 000)			45 555	32 445	-
Prov Grant - Library	-		-	(538 000)			526 867	-	(11 133)
Prov Grant - Housing Consumer Education	(19 184)		(19 184)	-			19 184	-	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	430 526		430 526	(59 519 709)			56 841 791	3 091 855	844 463
Prov Grant - Public Transport Facility (Trans P/W)	(458 351)		(458 351)	(800 000)			-	203 756	(1 054 596)
Prov Grant - Poverty Alleviation (Social Development)	(36 258)		(36 258)	-			35 797	-	(461)
Prov Grant - Performance Management System (Management Support)	(124 830)		(124 830)	-			20 064	-	(104 766)
Prov Grant - Upgrade B-Field - Loerie Park	(200 000)	-	(200 000)	-			139 731	-	(60 269)
Other Grant - National Lottery (Sport)	98 688		98 688	-		(98 688)	-	-	-
Other Grant - Govan Mbeki National Housing Award	(114 090)		(114 090)	-			-	-	(114 090)
Other Grant - French Football Grant	(464 890)		(464 890)	-			-	238 683	(226 207)
Other Grant - Danish Football Grant	(150 000)		(150 000)	-			49 278	-	(100 722)
Total	(2 062 235)	-	(2 062 235)	(118 015 709)	-	(98 688)	89 230 879	30 678 919	(266 834)